Austria ..... Sch. 22	Indonesia .. Rp 3100	Philippines .. Pes. 20
Bahrain .. Din.0.650	Israel ..... IS 3.50	Portugal .. Esc 100
Belgium BFr.48	Italy .... L 1800	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan .... Fils 500	Spain ..... Pta 125
Denmark . DKr.9.00	Kuwait Fils.500	Sri Lanka ... Rup 30
Egypt ..... E£2.25	Lebanon . £L 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr.48	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia .. Rg 4.25	Taiwan .... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia ... Din 0.800
Greece ...... Dr 80	Morocco ... Dh 6.00	Turkey ..... L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. .... Dh 6.50
India ..... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,214

Tuesday April 21 1987

D 8523 B

Italian premier faces hostile parliament, Page 2

World news | Business summary

PLO ends squabbles and unites in Algiers

The Palestinian movement began a crucial meeting in Algiers yesterday after squabbling factions of the Palestine Liberation Organisation were reconciled in a move that is likely to push the organisation towards a more radical posture.

Mr Yasser Arafat, chairman of the PLO, was greeted warmly as he entered the conference chamber. Those at the meeting included Dr George Habash, secretary general of the Popular Front for the Liberation of Palestine, who had led opposition to Mr Arafat's attempts for a diplomatic solution to the Middle East conflict. Page 18

Gandhi's challenge

Prime Minister Rajiv Gandhi, hotly defending his Government's honesty, challenged opponents in the Indian Parliament to produce evidence of alleged payoffs to politicians and officials in connection with the purchase of Swedish artillery. Page 2

Tamil rebels kill 16

Tamil separatist guerrillas in Sri Lanka raided a Sinhalese village and a security camp, killing 16 people, just four days after 126 bus passengers were massacred in another rebel attack.

Frankfurt clashes

Ten policemen and a woman were injured in clashes between police and demonstrators opposed to the new runway at Frankfurt airport. Petrol bombs were thrown at police, who used tear gas.

Guernica riots

Riots broke out in the Basque town of Guernica after a music festival held to mark the 50th anniversary of the town's bombing during the Spanish Civil War.

Deportation ordered

The US Supreme Court cleared the way for the deportation of Karl Linnas, accused of being a former Nazi death camp commandant in Estonia, to the Soviet Union. He faces the death penalty.

Seoul death fall

Park Ken-suk, 58, chairman of Pan Ocean Shipping of South Korea, died in a fall from his tenth-floor office in Seoul. Police said he left a suicide note and had been worried by company debts.

Cyprus ambush

A British Army corporal and a teenage girl were wounded in Cyprus when masked gunmen ambushed their military Land-Rover, raking it with gunfire.

Turkey exports water

Turkey is offering to supply up to 2bn cubic metres of drinking water a year to the Arabian peninsula. Page 5

Yugoslav strike

Yugoslav miners rejected an 18.3 per cent pay rise and vowed to continue their 13-day strike in pursuit of a 100 per cent pay rise and dismissal of their managers.

Nuclear plant shut

The French nuclear plant at Fessenheim, in Alsace, where non-radioactive steam began escaping from a valve on Sunday, will remain shut for at least five days while technicians study the problem.

Former PM on trial

Former Prime Minister Mohamed Mzali, who fled Tunisia after being dismissed from office last July, went on trial in absentia in Tunis for embezzlement and mismanagement of public funds

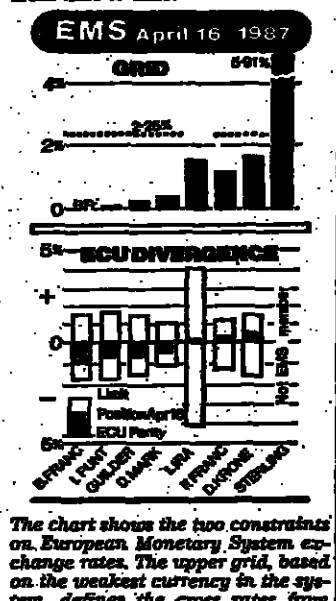
Vietnamese vote

The streets of Ho Chi Minh City, formerly Saigon, were a blaze of red banners and flags on Sunday as millions voted in the first general election since 1983. Page 4

EEC and US 'lose express mail duty'

THE US and EEC governments are losing substantial amounts of revenue because customs cannot cope with the requirements of the international express delivery industry, a confidential survey says. Page 18

EUROPEAN Monetary System: Currencies showed little change last week as trading volume eased ahead of the Easter break. Attention remained focused on the US dollar. With the emphasis remaining on the dollar/yen rate, there was little overall movement against the D-Mark. Consequently the weaker members of the system were unaffected. Most central banks were able to increase their foreign currency holdings by supporting the dollar on a modest scale from time to time.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

WALL STREET: The Dow Jones industrial average closed 5.39 down at 2,270.60. Page 32

TOKYO: An early surge by export stocks took the Nikkei average briefly above 24,000 for the first time but shares fell back to close lower on nervousness about the high level of prices. The Nikkei ended 43.13 down at 23,895.22. Page 32

KUALA LUMPUR stock exchange sent a memorandum to the Malaysian Finance Ministry protesting against a purported move to grant full broking licences to local banks. Page 23

NEW YORK Stock Exchange said it had sold a seat for a record $850,000, a rise of $225,000 from the last sale on January 28.

GOLD: In New York a roaring silver market sparked a rally in other precious metals and pushed spot gold up $9.38 to $452.875 an ounce in hectic trading. London markets were closed.

MONSANTO, US chemicals group, reported net earnings of $138m or $1.76 a share in the first quarter of 1987, up from $118m or $1.52 a year earlier. Page 19

CHASE MANHATTAN, third largest US commercial bank, earned $104m net profit in the first quarter, down 28 per cent on a year earlier. Page 22

JAPAN AIR LINES, national flag carrier due to be privatised, faces heavy losses on foreign exchange if the dollar remains on a downtrend. Page 23

RON BRIERLEY, New Zealand entrepreneur, is poised to become the dominant force in New Zealand's gas distribution sector. Page 23

C. H. BEAZER, UK building group, is to proceed with an issue of shares in the US but may scale down its size to defuse shareholder opposition. Page 24

WE REGRET that North American prices were not available for this edition due to communication problems.

Alfonsin sacks general and vows to resume trials

BY TIM COONE IN BUENOS AIRES

PRESIDENT RAUL Alfonsin yesterday began a shake-up of the military high command in the wake of the mutiny which has traumatised Argentina this Easter week-end.

He sacked General Rios Erenu, the chief of staff, temporarily replacing him with the civilian Defence Minister, Mr Horacio Jaunarena. It is widely expected here that further heads will roll for failing to prevent the rebellion by junior officers which began last Wednesday in protest at continuing trials of military personnel for human rights abuses under the former Junta.

In a further assertion of authority, the Government has announced that the human rights trials of about 300 military personnel and police will resume this week. The spark for the rebellion occured when a Major Barreiro refused to appear before the courts, and was promptly supported by fellow officers in the northern city of Cordoba who refused to hand him over. The rebellion then spread to the army's infantry training school on the outskirts of Buenos Aires.

Despite the euphoria which has greeted the peaceful conclusion of the mutiny on Sunday, and President Alfonsin's courageous handling of the situation, it is still not clear whether any concessions have been made to the rebels. One of the reported demands of junior and middle ranking officers behind the rebellion was a restructuring of the top army leadership. At the same time, it is unclear what punishment awaits the 100 or so involved in the rebellion, although they are expected to be placed before military courts.

The responsibility of junior officers for abuses committed during the military regimes of 1976-83 has become a highly contentious issue in the human rights trials. They have been arguing that they were following orders from superiors. However, the Easter rebellion has seemingly deprived them of that moral argument, for in the past few days they have disobeyed their superiors en masse, ignoring orders to end their mutinous action.

President Alfonsin had to intervene personally and talk to the leader of the rebels in Buenos Aires, Lt Col Aldo Rico, to obtain their surrender. Earlier attempts to confront them with forces thought loyal to the Government failed when it became apparent that they were wavering in their advance upon the rebel base.

In an atmosphere charged with tension on Sunday afternoon, with the rebels seemingly confident of victory, President Alfonsin addressed a huge crowd in the centre of Buenos Aires, saying that he had decided to go in person to talk to the rebels. He then flew by helicopter to the infantry training school, followed by scores of political leaders in a motorcade. After lengthy negotiations, Lt Col Rico agreed to surrender.

A Buenos Aires couple celebrates the end to the rebellion.

Continued on Page 18
Analysis, Page 3

Nato seeks united response to Soviet arms cut proposals

BY LIONEL BARBER IN WASHINGTON

HIGH-LEVEL Nato officials yesterday began a week of talks in the US to discuss the Soviet Union's sweeping arms control proposals in an effort to ensure that European security is not undermined.

A vocal minority of American politicians and commentators are beginning to express doubts about the proposed superpower agreement to rid Europe of medium-range nuclear missiles and the Soviet Union's latest offer to abolish all short-range weapons over a period of one year as a step towards a denuclearised Europe.

These doubts are shared by several European members of Nato and this week's talks – to be chaired by Mr Richard Perle, the hardline Assistant Secretary of Defence, in Albuquerque, New Mexico – are designed to frame a joint allied response to the latest Soviet proposals.

US officials attempted at the weekend to counter the impression of a headlong rush to an arms pact and summit between President Reagan and the Soviet leader Mr Gorbachev. Mr Paul Nitze, the senior American negotiator, said: "We don't have an agreement until the details are nailed down."

Mr Viktor Karpov, the top Soviet negotiator, was also cautious about the prospect for agreement during a US television interview, but he said removal of the medium-range (INF) weapons was "a first step towards a denuclearised Europe."

The Nato talks will examine how West Europeans, stripped of their medium-range missile arsenal, would deal with Soviet superiority in conventional forces such as tanks. There is considerable disquiet among the allies and among such figures as Senator Sam Nunn, the Georgia Democrat, that conventional weapons have almost been ignored in the march to abolish nuclear weapons.

Mr Brent Scowcroft, a former national security adviser to President Gerald Ford, said medium-range missiles represented the barrier between Nato being overrun on the conventional battlefield and the use of US strategic weapons based in the US.

Mr Perle said last week that Europe could still rely on 4,600 US warheads for tactical missiles and artillery shells. But Nato experts want more than that: some are reported to favour the highly accurate sea-launched cruise missiles as INF substitutes.

The US response has yet to be clarified, but some reports suggest the administration believes that fighters and strategic bombers could assume targets currently covered by INF rockets.

The Nato meeting is the first in a series of discussions in the next three weeks designed to produce a joint Nato response to Mr Gorbachev's proposals.

Baker defends monetary stance

By Lionel Barber in Washington

MR JAMES BAKER, US Treasury Secretary yesterday said the Reagan Administration was satisfied with the present course of US monetary policy, thereby distancing himself from conservatives who have raised fears about the Federal Reserve Board tightening money in defence of the dollar.

Mr Baker, speaking on US television, indicated that co-ordinated intervention by the central banks coupled with this month's agreement by the seven major industrialised countries to keep exchange rates around current levels, would be the administration's frontline defence of the dollar. He also cited last week's keynote speech in New York where he declared, unequivocally, that the fall in the US dollar had gone far enough.

The eroding value of the dollar and tensions over trade, particularly with Japan, have raised fears in the US about an imminent rise in interest rates which in turn could push a sluggish economy into a slump after four years of uninterrupted growth.

Last week Mr James Miller, President Ronald Reagan's budget director, issued a blunt warning to the federal reserve not to tighten money supply: "I am concerned about the Fed's overreaction ... I am concerned that overreaction today on inflation numbers may portend a substantial slowdown a year from now."

Mr Miller added: "I need not tell you that has political consequences. My fear is that if we get into a recession we are in deep soup and there is no question about it."

The White House subsequently rebuked Mr Miller for his re-

Continued on Page 18

Amoco offers C$5.1bn for Canadian rival

BY BERNARD SIMON IN TORONTO

AMOCO, the Chicago-based oil group, will become the biggest oil and gas producer in Canada if it succeeds with a C$5.1bn ($3.9bn) offer for Dome Petroleum, the debt-laden western Canadian energy company.

Dome's management has agreed to support the Amoco bid as a satisfactory solution to the Canadian company's five-year struggle for survival under the weight of its C$6.4bn debt.

Mr Howard MacDonald, chairman, said the Amoco bid was "clearly better" than the restructuring proposals which Dome had presented to its 56 international creditors earlier this year.

But the transaction is subject to approval by the Canadian Government and the creditors, who are expected to raise questions about their respective political and commercial interests.

There is also the possibility of a competing offer from TransCanada PipeLines (TCPL), the Toronto-based pipeline operator, whose original C$4.3bn bid was rejected by Dome last week.

Moody's, the credit-rating agency, yesterday placed the Triple A debt ratings of Amoco Corporation and related companies under review for a possible downgrade, in response to the takeover bid.

Since a debt-financed acquisition spree in the late 1970s, Dome has become a symbol of efforts to increase Canadian control in the politically sensitive energy industry. The company has been a leading beneficiary of government exploration incentives and tax concessions.

Amoco's wholly-owned Canadian subsidiary, Amoco Canada Petroleum, said the transaction would facilitate development of Dome's extensive oil and gas reserves, including a number of jointly-owned properties.

Amoco has offered a combination of cash, debt securities and convertible debentures worth about C$7 a share to preferred shareholders and C$1.50 to common shareholders. These were roughly the prevailing prices of Dome shares on the Toronto Stock Exchange last week.

Details of payments to creditors were not disclosed. An official at one of Dome's leading Canadian lenders said yesterday: "Our position has been to let the company negotiate a takeover bid before we get involved."

The banks' concerns are likely to centre on the apparent priority of shareholders over creditors. The Canadian banker indicated that creditors may be willing to support a counter-bid for Dome which offers them more generous terms.

The Canadian Government is, however, expected to approve the Amoco bid in the absence of a counter-offer. The acquisition of Dome by a US company would reduce domestic ownership in the Canadian oil and gas industry from 60 per cent to 50 per cent. But Ottawa has indicated that it would allow foreign takeovers of companies in financial difficulty.

In a statement, the Federal energy department said: "It is good for western Canada that the Dome issue is being resolved."

Meanwhile, TCPL said it had not given up its efforts to acquire Dome. Mr Gerald Maier, TCPL's president, said: "We have improved our original proposal and we've told Dome we're still prepared to negotiate."

Despite its serious financial problems, Dome's valuable assets have made it an attractive takeover target.

Asian countries must expect slower growth, says ADB

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

NEWLY industrialising countries (NICs) in Asia must expect lower economic growth rates this year and Singapore, once the regions' brightest star, will fare worse than most because of its continuing serious economic adjustment problems, according to the Asian Development Bank's annual report.

The cost advantages recently reaped by NICs such as falling interest rates and lower prices – for primary commodities including oil – are likely to decline, while demand for their products in developed countries is likely to slow down. This will be caused by low growth in gross domestic product in the major economies of the world, protectionist pressures and increased competition, the report says.

Three of the NICs – Hong Kong, South Korea and Taiwan – are expected to have average growth rates of between 6 per cent and 8 per cent, well down on recent figures. The fourth, Singapore, may record only around 5 per cent growth, substantially below its average growth rate of the past decade but an improvement on the 1.8 per cent contraction in 1985 and 1.9 per cent growth in 1986.

Countries already experiencing a slowdown, such as Indonesia, Malaysia and Thailand, together with the Philippines which has suffered two years of severe recession, are expected to improve their growth performance this year, particularly Malaysia and Thailand.

The Bank warns that moves towards greater trade liberalisation among the Asian countries could be frustrated by a sharp growth in current account deficits to unsustainable levels.

"This could only be avoided by maintaining a commensurate growth in exports and the availability of external resources at reasonable cost to finance current account deficits."

Last year, the ADB approved loans totalling $2bn, less than envisaged and only slightly above the 1985 figure. This reflects the increasing difficulty for many countries to increase development financing as the fall in commodity prices has depressed their export earnings at a time when many have built up high levels of external debt.

This again raises the question of whether development banks ought to switch their policy from project lending to more programme lending to support developing countries' balances of payments.

Nakasone tax move rejected

BY IAN RODGER IN TOKYO

JAPAN is finding it increasingly difficult to comply with US demands to stimulate its economy following a decision by opposition parties to reject a government plan to shelve the introduction of a value-added type sales tax.

The opposition has demanded the withdrawal of the unpopular sales tax plan as a condition of their co-operation in passing the 1987-88 budget. The Government appears to have little choice but to bend to their wishes.

The Government cannot introduce any new stimulative measures until the budget is passed. Moreover, the budget must be passed today if the measures are to be introduced before Mr Yasuhiro Nakasone, the Prime minister, visits Washington next week.

According to reports in Tokyo at the weekend, the new stimulus package agreed by leaders of the ruling Liberal Democratic Party (LDP) on Friday may be much larger than the Y5,000bn ($35bn) that has been under discussion until recently. One party official in Tokyo said the package might have to be worth between Y7,000bn and Y9,000bn to have a significant impact.

The pressure on the Japanese Government to stimulate its economy continued to rise yesterday, when the US Trade Representative, Mr Clayton Yeutter, who is in Tokyo for trade talks, called on the Government to introduce such measures as soon as possible as a means of redressing its large trade surplus.

Mr Yeutter told the Government there were no signs that Japan had made substantial efforts to expand domestic demand in the past year, as it had promised to do. It was time for the country to implement policies rather than just talk about them, he said.

But the Government's domestic political difficulties are having a severe impact on its ability to allay Western critics. It has gone to considerable lengths in the past few days to appease opposition anger over the sales tax plan. Mr Nakasone admitted on Friday for the first time that the plan violated a promise he made during last June's election campaign not to introduce a large scale indirect tax.

Yesterday, Mr Shin Kanemaru,

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Loss of face but not of business, Page 2

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PHILIPPINE LAND REFORMS

The difficult task facing President Corazon Aquino, Page 4

Italy's caretaker Premier faces hostile parliament

BY ALAN FRIEDMAN IN MILAN

NEWLY SWORN-IN Italian Prime Minister Amintore Fanfani, the 79-year-old Christian Democrat who formed a caretaker government at the weekend- went before a hostile parliament yesterday to begin a debate which is expected to end in a vote of no confidence and early elections in June.

The Fanfani government, which is made up only of 16 Christian Democrat and nine non-elected technocrat ministers, has come under heavy fire from outgoing Socialist Prime Minister Bettino Craxi. Mr Craxi has attacked both the new government and President Francesco Cossiga (for having given it a mandate) as being in violation of Italy's constitution because, he said, the government was designed to provoke the dissolution of parliament and not to govern.

Mr Craxi's unusually violent criticism, which came in an already poisoned political atmosphere, was followed by an even greater insult from the former prime minister, who, instead of being at his office in the Palazzo Chigi on Saturday to officially hand over his administration to Mr Fanfani, flew off in a government aircraft to his villa in Tunisia for the Easter weekend.

This absence, the first such breaking of this protocol in the history of the Italian republic, was a clear sign of Mr Craxi's fury at the appointment of a Christian Democrat-only government which will almost certainly be defeated in a confidence vote and then preside over elections.

Mr Craxi's Socialists—as well as the Republicans, Liberals and Social Democrats — the other members of the fallen five-party coalition government, have refused to join Mr Fanfani, who is heading his sixth government since the 1950s.

The Fanfani government is meant to be an "institutional" government and above politics. But Mr Craxi has said: "The only thing institutional about this government is the presence of the Christian Democrats."

The debate in Parliament began in an extremely confused and hostile environment. While Italy's tiny Radical Party is threatening to filibuster in parliament as a protest at the automatic cancelling of referenda on nuclear energy and judicial reform which would accompany the dissolution of parliament and calling of elections, the debate will also be lengthened by an expected 25 hours of Socialist interventions.

In addition, the Republican Party holds its congress in Florence later this week. Parliamentary debate is usually suspended during a party congress.

For these reasons it could be next week before a confidence vote is called.

Soviet nuclear blast 'for construction work'

A SOVIET scientist suggested yesterday that Moscow's latest underground nuclear explosions may have been conducted in connection with construction work, Reuter reports from Moscow.

Mr Vitaly Goldansky, of the Soviet Academy of Sciences, told the official Tass news agency that two underground nuclear detonations in the Urals region of Perm on Sunday had been carried out exclusively for civilian purposes.

Mr Goldansky said explosive devices of all sorts were used for the construction of roads, mines and reservoirs, adding: "They make construction much easier and cheaper."

He said yesterday's blasts of less than 20 kilotons had nothing in common with military tests carried out by the Soviet Union at its Semipalatinsk site in Central Asia or by the US at its Nevada proving ground.

"There is nothing new . . . when nuclear explosive devices are used for civilian purposes," Mr Goldansky said. "They are used as a rule when it is necessary to blow up especially heavy rock or a large mass of rock."

The Soviet Union has conducted six underground nuclear blasts since ending a self-imposed test freeze last February.

Carla Rapoport assesses the likely impact on Tokyo of US trade sanctions

Japanese lose face, but not much business

PRESIDENT Ronald Reagan's punitive tariffs on Japanese exports have caused a loss of face in Japan, but not a big loss of business.

While Government officials continued feverish attempts to persuade the Americans to rescind last week's action, industry executives were breathing a sigh of relief that the sanctions were not more punitive.

Last Friday, the US announced the imposition of 100 per cent tariffs on \$300m (£187.5m) of Japanese colour televisions, desktop and small personal computers and power tools. The Ministry for International Trade and Industry (Miti), says only about 20 Japanese companies will be affected by sanctions.

The hardest-hit will be personal computer makers, but all these companies are well diversified and leaders among Japan's huge electronics industry. As such they will be able to bear the loss of exports without too much discomfort.

As for power tools — a joker in the pack as the US-Japan row is over semiconductor trade — the industry is not overly concerned. The industry leader, Makita Electric, says about 5 per cent of its US exports will be affected, worth about \$10m.

The sanctions against Japan will remain in place for at least three months, according to leading members of the US electronics industry.

Mr Erwin Kelen, chairman of the American Electronics Association, the leading US electronics industry association, said in Tokyo yesterday that the sanctions could be lifted within three months if the US could see "some tangible sign" that semiconductor trade between the US and Japan had improved.

Mr Ralph Thomson, senior vice president of AEA, said: "This position cannot be turned around in three days. It will take at least a month to determine the statistics and two months to determine the trend," he said.

Both men stressed that the sanctions, which they believe are more symbolic than punitive, emerged out of the growing sense of frustration with Japan for its failure to rectify the trade imbalance with the US. "I don't know (if) you can imagine the tremendously high tide of protectionism" in the US, said Mr Kelen.

A broker for one of Japan's leading securities houses said yesterday: "It's a flea bite on the back of Japanese industry. The main embarassment is a political one."

Japanese industry leaders helped to fan the flames of the dispute at the weekend, hitting back at the Americans for the sanctions, imposed because of the breakdown of an eight-month-old semiconductor trade pact between the countries.

Sony's outspoken chairman, Mr Akio Morita, for example, said that Japanese resentment provoked by the trade conflict "may be based, in part, on the feelings that American . . . criticisms do not arise from legitimate grievances, but more from an increasing tendency to blame Japan for problems of America's own making."

Mr Morita called on the US to cut its budget deficit and "end the cancerous money game with its rampant mergers and acquisitions that force its businessmen to think in the short-term and sap productivity."

Mr Shoichi Saba, chairman of Toshiba as well as the Electronics Industries Association of Japan, said that US companies should make more aggressive efforts to penetrate the Japanese market. He defended the heavy investment that Japan continues to make in the semiconductor industry, saying that it leads to an expansion in demand, in turn "fuelling further technological advancement and even lower prices."

This argument is at the crux of the debate between the two countries. American chipmakers claim that heavy Japanese investment in chip production creates over-capacity and leads to dumping, that is selling chips below production costs. The Japanese reply that this is merely taking a long-term view of the industry's potential for growth.

Some industry executives continued to criticise the Americans for producing inferior goods. A manager at Hitachi, for example, said: "We would like to purchase more foreign materials (semiconductors, etc) but the foreigners must meet our requirements for specification, delivery times, and quality," implying that these conditions were not being met.

In the meantime, Miti officials are hard at work on finding a solution to the bubbling trade row. The Trade Minister, Hajime Tamura, said at the weekend that Japan had "decided against taking any immediate retaliatory move."

Today and tomorrow, he will hold two rounds of talks in Tokyo, with the US trade representative, Mr Clayton Yeutter, with the aim of eliminating the tariffs at the earliest possible date.

Mr Tamura told reporters the US move was a political tactic aimed at curbing protectionist pressure in Congress. Now that the move has been taken, he believes his talks with Mr Yeutter have a reasonable chance of success. So far, Mr Yeutter has declined to comment on the issue.

Mr Makoto Kuroda, the deputy Trade Minister, and Miti's chief negotiator, is more pessimistic. He believes it will be impossible for Washington to repeal the measures without clear-cut evidence, such as an improvement in trade figures.

Failing an immediate solution, Japan's hopes will be pinned on the Prime Minister, Mr Yasuhiro Nakasone, who flies to Washington for talks next Wednesday. He would be crossing the Pacific "with a heavy burden on his back.' '

US House may back trade curbs

A BILL forcing other countries to cut their trade surpluses with the US is very likely to be passed by the US House of Representatives next week, Mr Thomas Foley the House Majority leader, said yesterday, Reuter reports from Tokyo.

He said he believed the House would back a Trade Bill amendment moved by Mr Richard Gephardt, a Democrat Congressman from Mississippi.

"I do not intend to support the Gephardt Amendment myself, but I believe that a majority of the House will support it and it will become part of the House-passed bill," he said.

The amendment would enforce a 10 per cent a year reduction in the trade surpluses of those nations involved. Countries would be targeted under a formula taking into account the size of the surplus and the length of time the trade imbalance had persisted.

Japan, Hong Kong, Taiwan, Brazil, Italy and West Germany would be immediately affected if the bill passed the House and Senate and were approved by President Reagan, said Mr Foley, who is attending an annual US-Japan forum in Tokyo.

US political sources at the conference predicted that such a bill would also pass the Senate.

Mr Foley said that Japanese officials and businessmen at the forum, the Shimoda Conference, were greatly concerned over the likelihood of the House passing such a bill, which had previously been in doubt.

Last week the US imposed punitive tariffs on a range of Japanese electrical products

Gandhi pledge over bribes

By John Elliott in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday promised to take the "severest action" against anyone who had received bribes in connection with a \$1.4bn (£875m) Howitzer gun order placed by India's Ministry of Defence with Bofors of Sweden a year ago.

Mr Gandhi was trying to regain the political initiative after three weeks of political storms involving alleged corruption which have undermined his image of leading a clean government.

He challenged members of opposition parties during a rowdy parliamentary debate to produce detailed allegations of charges first broadcast on Swedish State Radio last week that bribes of up to \$16m were being paid to Indian politicians and officials by Bofors.

Bofors and the Indian and Swedish Governments have denied the allegations.

ERRATIC MARKET RESPONSE FEARED

Blunt Deng worries Hong Kong

BY DAVID DODWELL IN HONG KONG

HONG KONG investors face an anxious few hours this morning as they watch to see if share prices slump in response to blunt comments ahead of the Easter holiday weekend by Deng Xiaoping, China's octogenarian leader. These challenged the need for direct elections in the territory, and repeated China's right to intervene if activities "in the guise of democracy" turned Hong Kong into "an anti-mainland base."

It is thought that Peking, anticipating an erratic stock market response, had ensured that Deng's comments did not reach the British territory until after the stock market closed on Thursday for its longest holiday of the year.

His statement was made in Peking to Hong Kong members of the Basic Law Drafting Committee, the body that is preparing the blueprint for Hong Kong's constitution once China regains sovereignty in 1997.

It has come at a critically sensitive time, with the Hong Kong Government in the final stages of drafting a green paper on political reform, which will include a proposal to consider direct elections to the Legislative Council, Hong Kong's hybrid parliament, in 1988. This green paper is expected to draw fierce debate over the summer months.

In this debate, advocates of direct elections as a means of insulating Hong Kong from political interference from Peking are pitched against the more conservative business community, which sees democracy as opening a Pandora's box of political conflict and populist policymaking.

Many commentators had predicted that last week's five-day meeting of the drafting committee would be an unusually important one. Fed had forecast, however, that Deng would use his meeting with this group of political figures as an attempt to veto the idea of direct elections.

Hong Kong government officials have been increasingly anxious in recent months over China's retreat from the idea of direct elections. If local pressure for such elections was great enough, then officials were aware they would have no chance of backing away from them. As such, they had hoped Peking would tread lightly to avoi dthe risk of a showdown, and must now be dismayed at Deng's decision to fix policy in stone .

Officials are still unclear why Peking has chilled to the idea of introducing at least partial direct elections in 1988.

S Africa troops guard railways

By Jim Jones in Johannesburg

THE South African Government's security forces were deployed at railway marshalling yards and stations yesterday in an effort to end a six-week strike which has been joined by about 20,000 black railway workers.

Dr Bart Grové, the general manager of the state-owned South African Transport Services (Sats), had warned on Sunday that police and troops were to be called in on Easter Monday to protect railway property and passengers. They are also to protect workers whom Dr Grové alleged had been intimidated into striking but who wished to return to work.

The railways were reported to be quiet as the troops and police moved into position yesterday, though it was not immediately clear whether this was because of the Easter Monday public holiday or because the strike was breaking.

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People unite to save Alfonsin at darkest hour

BY TIM COONE IN BUENOS AIRES

THE Easter rebellion in Argentina ended bloodlessly with the Government in control, democracy intact and order seemingly restored in the army's chain of command.

But the crisis represented President Raul Alfonsin's darkest hours in 40 months in office. Last Saturday there appeared a serious possibility that his Government had lost the initiative to the rebels.

The initial thrust of the rebellion, at a paratroop regiment base at Cordoba, in the north, collapsed last Friday afternoon. But a second outbreak that morning, at the infantry school in the Campo de Mayo base on the outskirts of Buenos Aires, turned into a far more serious threat.

By Saturday afternoon, it was apparent that other units at the base, a 30 square mile military complex, were sympathetic to the 200 elite paratroop and commando officers who had seized the infantry school.

Mr John Bohn, jr, head of the US Export-Import Bank, announced yesterday that the expert financing agency would reopen its medium-term credit facilities for Argentina, Nancy Dunne reports from Washington.

A considerable proportion were veterans of the Falklands war and six of those interviewed by the Financial Times insisted their intention was not to carry out a military coup but to force a political solution to the human rights trials.

One bitter source of complant was that the trials had passed over some of the higher ranks as part of a deal done by the radicals and senior military officers before the return to civilian rule, but who they claimed were just as guilty as the junior officers now being tried.

"Some have been absolved, prompted and now have luxury flats and cars," said one rebel captain.

Lt. Colonel Aldo Rico, the rebels' leader claimed at the weekend that other units had come out in support of them. Indeed it became obvious that, by bringing in units of the Second Army Corps from the provincial capital of Rosario to put down the mutiny, the Government could not rely on those available in Buenos Aires. Approximately, one fifth of the Argentine army is based in and around the capital.

Orders to advance on the rebels were given to the Second Army Corps on Friday afternoon by the president. However, most of their units moved no closer than about 30 miles from the rebels' base, prompting a leading radical party senator, Mr Adolfo Gass, to admit: "There are problems with the middle-level commands."

Throughout the four-day crisis, President Alfonsin appealed to all sectors of the civilian population to close ranks behind the Government to defend the newly-won democratic system. To the credit of the politicians, probably for the first time in the past half century, they did.

From the start of the rebellion last Wednesday night, the remarkable sight of radicals and Peronists, traditionally the two principal antagonistic political parties, standing shoulder to shoulder, alongside communists, socialists and just ordinary people on the street, beating drums, waving banners and shouting slogans such as "Viva Alfonsin" and "the people united will never be defeated" is one which will probably remain in the memories of a generation of Argentines.

The military coups or rebellions that have littered Argentina's history have been instigated or supported by one or more powerful economic and political groups.

In contrast, last week's mutiny was confined almost entirely to the middle ranks of the army, with no wider support base in society and whose principal complaint was over the course of the human rights trials which have begun to put some of their number behind bars. Their hope, which almost succeeded, was that other units throughout the armed forces would come out in support of them.

The breakthrough came only on Sunday afternoon when President Alfonsin told a cheering crowd, estimated at 300,000, in the historic Plaza de Mayo in front of the presidential palace: "Wait for me here, I am going personally to obtain the surrender of the mutineers."

As crowds insulted the rebels at the entrances to the base three tense hours passed before President Alfonsin returned to announce emotionally: "Happy Easter. The rebels have given up. They will be detained and put on trial."

President Alfonsin was accompanied to the Campo de Mayo base by the head of the air force. In his pocket was a message of support from the head of the navy. As he insisted on Lt Colonel Rico's surrender, the few military units of the Second Army Corps that had arrived prepared to do combat with the rebels. The showdown worked.

Aldo Rico: claimed support from other army units

In the army high command, the Chief of Staff, Gen Rios Erenu, has been the first head to roll, for his failure to end the rebellion quickly. He was relieved of his command on Sunday. Other high ranks will follow for one essential reason: the rebellion demonstrated starkly that the junior and middle ranks of the army had lost confidence in their superiors. To end the crisis, President Alfonsin seemingly has made that one concession to the rebels.

President Alfonsin's stature as statesman and politician is now such as to give him ample room for manoeuvre in critical and controversial policy areas. Like such as the forging of a "social contract" financial reform, constitutional reform, divorce and the transfer of the capital to the south.

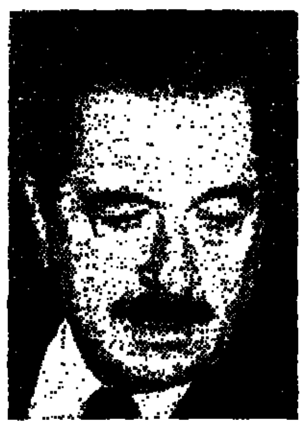
The repercussions of the rebellion and its failure will be far-reaching but perhaps none will be as great as the fact that Argentines have finally managed to shake off a tradition of military involvement in the country's politics and to stand up to their threats.

Jimmy Burns charts the career of President Alfonsin

Raulito's long battle for democracy

THE PERSONAL stand taken by President Raul Alfonsin during the weekend military crisis may have surprised the outside world and even many of his fellow countrymen but in the town of Cascomus, some 120 miles south-west of Buenos Aires it will have been interpreted as something which comes naturally to 'Raulito."

Mr Alfonsin was born in Chascomus 57 years ago into a family of shopkeepers of mixed Spanish and Welsh descent — his maternal grandfather was called Foulkes. This makes his a distant cousin of the British Labour party's spokesman on foreign affairs, Mr George Foulkes.



Alfonsin: insight

The Alfonsin shop, run today by Mr Alfonsin's Argentine cousins, has remained a focal point of communal activity where the family has been able to gauge far more accurately than any barrack-room general the hopes and fears of ordinary people.

When I first interviewed Mr Alfonsin in December 1983, soon after he had been elected president, he wanted to talk about his Foulkes ancestor: "He was a medical student and when he came to Argentina he proved himself a Radical by fighting for Ypolito Yrigoyen.

Yrigoyen as Argentina's first democratically elected President, whose second term in office was cut short by the first in a long line of military coups in 1930. In that year Mr Alfonsin was only three years. However, the memory of the coup pervaded much of his later childhood thanks to the influence of his father, Serafin, a Spaniard with strong Republican sympathies who opposed the militarism of General Franco.

At the age of 13, Mr Alfonsin was sent to military school. Serafin had not stopped hating the military, and did not want his son to become an officer. But in those days a military education, like studying for the priesthood, was a cheap and easy way for a boy to get a reasonable private schooling. It also provided an aspiring politician with a unique insight into the military mind.

Mr Alfonsin quit the academy as soon as he had completed his secondary schooling and took law exams instead. By the mid-1940s he was actively involved in politics, joining the opposition to General Juan Peron, who had laid the foundations of an authoritarian state after forming part of a young officers' coup.

Peron himself was toppled in a military uprising in 1956, but the figure of the *caudillo* was to continue to dominate Argentinian politics. In swift succession, a series of civilian governments were toppled by military interventions always with the backing of a sector of the population.

In 1972 Mr Alfonsin formed Reonvacion y Cambio — Renewal and Change. Argentina at the time was on the threshold of civil war between the armed forces and left-wing guerrillas, in which words like Renewal and Change had become synonymous with Marxism and revolution. In fact Mr Alfonsin was already regarded by those who knew him well as a social democrat committed to moral renewal and the establishment of a full parliamentary system as the only political solution to Argentina's long-standing problems.

He remained the rebel in the conservative pack, his left-of-centre faction contrasting with the cautious politics of the late Ricardo Balbin, former leader of the Radical Party. "

Until the Falklands War in 1982, Alfonsin's continuing exile from the mainstream of political life was to prove an asset in a political system discredited by hypocrisy and compromise. Long before human rights became an issue, he interceded on behalf of the families of the "disappeared."

One of his more memorable interventions involved two Uruguayan senators who were tortured to death by the Argentine military. When they were found dead, most of the senators' political colleagues were forced underground, but Mr Alfonsin personally supervised their funeral, offering to pay even for the copper inscription of the dead men's coffin.

Following the Falklands debacle, Mr Alfonsin managed to pull his country out of a national trauma. Were he alive today his father Serafin would no doubt claim that the message of democracy may have finally go through thanks to Raulito.

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On the Redemption Date, the Redemption Price will become due and payable on the Notes and will be paid upon presentation and surrender of Notes, together with all appurtenant coupons maturing subsequent to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

Coupons which shall mature on, or shall have matured prior to, the Redemption Date should be detached and presented for payment in the usual manner.

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The Chase Manhattan Bank, N.A.
Corporate Bond Redemptions
Box 2020
1 New York Plaza—14th Floor
New York, New York 10081

The Chase Manhattan Bank, N.A.
P.O. Box 440
Woolgate House, Coleman Street
London EC2P 2HD, England

Chase Manhattan Bank, Luxembourg, S.A.
Coin Boulevard Royal & Grand Rue
CP240
Luxembourg, Luxembourg

Chase Manhattan Bank (Switzerland)
Gartenstrasse 24
Postfach 162
8027 Zurich, Switzerland

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Dated: April 6, 1987

OVERSEAS NEWS

Leslie Colitt on prospects for Czech reform

A mild Prague spring

A PERSONAL acquaintance with Soviet leader, Mr Mikhail Gorbachev is a good recommendation for a Czech these days, especially one who advocates wide-ranging economic reform.

Mr Valtr Komarek, an outspoken Czechoslovak economist, knows Mr Gorbachev from the time both were students in Moscow in the early 1950s. Mr Komarek studied economics and frequently met Mr Gorbachev, a law student, during activities of the Soviet youth organisation, Komsomol.

Today, Mr Gorbachev is spearheading the most ambitious Soviet reform programme since Lenin's new economic policy in 1921. Mr Komarek more modestly heads the Institute of Economic Forecasting in Prague. While providing the Government with reliable economic analyses, it has long been a convenient refuge for reform-minded spirits.

Mr Komarek's time, however, may have come – once again – as the conservative Czechoslovak leadership begins to grapple with economic reform. Having presided over a protracted decline of Czechoslovak industry, the centrally-planned economic system has reached the end of its rope.

Mr Komarek's experience of economic reform dates back to the time of the late Soviet leader, Mr Nikita Kruschev, who wanted to break the central planning monopoly. As a young official of the state planning commission in Prague in the early 1960s, Mr Komarek worked closely with Soviet officials of the new State Economic Council, Goseconsoviet. It was created to replace the party's control of the economy with that of the Government.

Reformist tendencies in Czechoslovakia survived even the downfall of Mr Kruschev. By 1966, a partial reform of industrial management was introduced, but was unable to prevent a serious economic reversal. During the reformist "Prague spring" of 1968, a Government Economic Council was set up in Prague which, as Mr Kruschev envisoined, was designed to break the rule of the central plan.

The chairman of the Reform Council was Mr Lubomir Strougal, then deputy prime minister, who is now once again in charge of an economic reform programme, as the Czech Prime Minister. Deputy chairman of the council in 1968 was Professor Ota Sik, father of the Czechoslovak Economic Reform, who maintained that a "socialist market" with planning was as feasible as a-capitalist market. The general secretary of the Economic Council was Mr Komarek.

Events have come full circle. The language used by the economic "restructurers" in Moscow and Prague is remarkably similar to Mr Sik's. According to the "principles of economic restructuring" issued earlier this year in Prague, companies are to be given greater independence and are no longer to be burdened with a mass of obligatory planning targets from above. At the same time, managers are to be given a greater say in determining investments, wages, and the size of their work force.

Mr Jaromir Matejka, a deputy prime minister and secretary of the new government committee for Planned Economic Management, noted in Prague recently that much greater use would be made of prices, exchange rates, credits and interest rates. Asked whether the same officials who had opposed economic reform since 1968 would now be able to carry it out, his reply was a laconic "yes."

But many Czech economists are less confident about the outlook for reform. Prestavba (the Czech version of Perestrojka in Moscow), they note, was drawn up by bureaucrats, albeit skilled ones. They refer to them as the "clerks" of the reform and say their thinking is dominated by the "techniques" of management, with emphasis on changing economic indicators and tools. They are now busy drafting a document on implementing the principles to be issued later this year.

In fact, even these technocrats of economic reform are opposed by many senior party officials along with the economic ministries and company managers.

The procrastinators regard even the present limited reform as a virtual dismantling of socialism and are still convinced of the superiority of the central planning system. They are at work whenever the authorities adopt a reform and are able to break it with their immense influence.

Mr Komarek says for economic reform in Czechoslovakia or the Soviet Union to be successful it must create a full-blooded market and end domination by the monopoly sellers.

Vietnamese vote in a blaze of red banners

By Steven Butler in Ho Chi Minh City

THE STREETS of Ho Chi Minh City, formerly the South Vietnamese capital of Saigon, on Sunday were a blaze of red banners and flags as millions of voters went to the polls in the first Vietnamese general elections since 1983.

Sound trucks rolled through the streets blaring out propaganda messages over the din of loud martial music and the ring of bicycle bells.

Mr Pham Hung, the second ranking man on the politburo of the Vietnamese Communist Party, declared the election to be a great day for Vietnamese democracy, after he cast the opening ballot at his local polling station at 7 am in Ho Chi Minh City.

The election would pass none of the tests for democracy set in the West, but it has undeniably involved much greater public participation than similar events in the past.

Nearly twice as many candidates stood for office as seats available, and voters were invited to attend a series of public rallies where they could ask questions and hear the candidates speak.

One candidate, Mr Nguyen Xuan Oanh, said he was confident of winning since he received loud cheers at the rallies. Mr Oanh is a Harvard-trained economist who served as the central bank governor and deputy prime minister under the former South Vietnamese government, which was overthrown by the Communists in 1975. Mr Oanh is a proponent of economic reforms in Vietnam and is an advisor to the Central Planning Commission in Hanoi and the Ho Chi Minh City Peoples Committee, the equivalent to a municipal council.

The role of local opinion in Vietnam took a big leap forward last year during preparations for the report of the sixth party congress in December, which ushered in a new slate of party leaders dedicated to economic reform. Early drafts of the report were roundly criticised in the localities for being unrealistic, and the final report was amended to produce what amounted to a devastating admission of failure to manage the economy by the former leadership of the party.

The newly-elected National Assembly—the results will be announced later—is unlikely to supplant the Communist Party as the focus of political power. It may however begin to function more as a consultative body and as a sounding board for policy.

It will formally select a new Cabinet in June, when it meets for the first time, and set to work on the management of the Vietnamese economy.

Oman seeks to postpone Tornado deal

By Andrew Gowers, recently in Muscat

OMAN IS in negotiations with Britain aimed at postponing its planned purchase of up to eight Tornado fighter aircraft from Britain until 1992 at the earliest. A new sharp fall in oil prices could put the whole deal in doubt, according to a senior Omani Minister.

Mr Qais bin Abdul Munim al Zawawi, the country's deputy Prime Minister for economic and financial affairs, said in an interview that, even in the early 1990s, the deal, which has already been postponed once, will proceed only if financing can be arranged.

In the meantime, the sultanate had suggested to British Aerospace—leader of Panavia, a tri-national European consortium which manufactures Tornado—that it deliver the aircraft reserved for Oman to another buyer.

He also revealed that teething troubles had been experienced in Oman's trials with Tornado, which meant the sultanate was having to consider acquiring a more expensive model.

Oman's Tornado deal—unofficially costed at over £250m when it was signed two years ago—was a landmark for British Aerospace. It was the first export order and preceded a much larger deal under which Saudi Arabia, Oman's ally in the six-nation Gulf Co-operation Council, is spending about £4bn on buying 42 Tornados and support facilities. The aircraft were originally scheduled for delivery in 1988 but last year the date was postponed until 1991.

The hold-up illustrates the extent to which the sultanate, like other Gulf states, has been hit by last year's collapse of oil prices. The country's gross domestic product fell by nearly 20 per cent last year after a decade of uninterrupted growth, and the Government has implemented sweeping budget cuts

Turning rhetoric into reality is proving difficult, reports **Richard Gourlay**

Aquino may lose chances for land reform

POSSIBLY THE best opportunity to improve income distribution and undermine the Communist-led insurgency in the Philippines is slipping through the Government's fingers as election fever distracts President Corazon Aquino's cabinet.

Reforming the ownership of agricultural land is a policy almost all politicians in the post-Marcos era claim to back. Land reform is invoked by candidates for senatorial elections in May at government and opposition rallies alike.

But when it comes to details, the Government's programme has progressed little beyond statements of general intent.

It took the killing by marines of 16 farmers demonstrating for land reform in January to put some urgency into the Government's programme. Even though the leaders egged on the farmers to provoke the ill-disciplined soldiers — a lethal combination — it did not detract from the force of the lesson.

Mrs Aquino set up a special multi-ministry action group to study the problem. Mr Sonny Dominguez, the Agriculture Minister, said that if landowners did not voluntarily agree to land reform they would end up with no land to reform, and Mr Heherson Alvarez, the Land Reform Minister, came up with a four-point programme before resigning to run for the Senate.

The task is enormous. Much of the land — and even more of the good land — is owned by a small minority of landowners in a hangover from Spanish colonial days.

Even if land is redistributed, there remains the problem of ensuring that the credit system is good enough to prevent the farmers immediately hocking the land to Chinese middlemen to pay for seed and fertiliser.

Some of the conservative farmers will also have to be sold the idea of diversifying out of traditional crops like rice, sugar and coconut into cash crops for export.

But reform now would give the country's burgeoning population an incentive to stay within the existing political system and at least a fighting chance to gain a stake in the society.

"The land reform programme is the heart and soul of the redistribution of income in the Philippines. For as long as this problem is not licked, the insurgency problem will go on and on," one World Bank officer said, referring to the Communist-led insurgency, now in its 18th year.

The Government has so far adopted the programme of former President Marcos covering the rice and corn land. After 15 years of that policy, only 32 per cent of the lands covered have been transferred to tenants, mainly because of landlord resistance, inability to enforce it on recalcitrant landlords, and the poor compensation.

The Government is still focusing its effort on completing the transfer of rice and corn lands — still only about 9 per cent of all the country's cultivatable lands. The country's depleted treasury prevents the Government from compensating landlords with cash, which would be the most efficient way of speeding up the transfer.

The government has reverted to compensating landlords through bonds, made more attractive by a shorter term and a larger cash advance.

Aid donor reluctance appears to mirror the cool reception that the World Bank gave the entire land reform programme when officials were in Manila in late March. Put bluntly, the bank told Mr Alvarez and the land reform team to re-think the four-point plan.

The plans talks in general of completing the rice and corn land transfers, moving on to land that is idle or foreclosed by the government, followed by the largest portion, which is all non-rice and non-corn land including the large estates. The final phase is redistribution of public land.

An added problem for the bank and other potential donors is that nearly two months after Mr Alvarez resigned to seek his fortunes in the Senate, Mrs Aquino has yet to replace him.

Basically, however, the bank objects to Manila's concentration on completing the rice and corn land reforms. It feels a larger structural change could be made if scarce resources were aimed at the large coconut, sugar and fruit estates. This does not mean the estates would be broken up but there would be a move towards co-operative ownership.

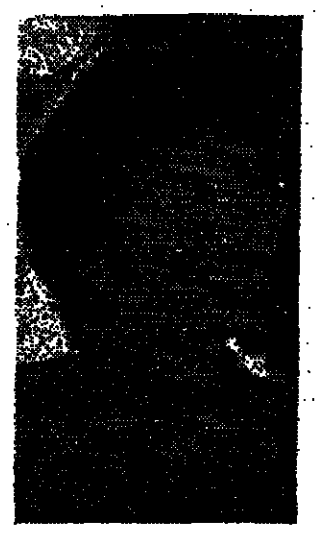
The bank has earmarked money for the land reform but has clearly no intention of releasing it unless Manila produces more detailed plans.

Translating the rhetoric of land reform into the reality of policy has been hampered as the May 11 elections loom. The urgency that followed the killing of the farmers has evaporated, leaving many observers with the feeling that there has been a missed opportunity.

Mrs Aquino was in the unique position of being able to govern by decree because of her arrival in power through a popularly backed military revolt, while commanding huge popularity throughout the country.

She could have laid more store on land reform, allocating funds there rather than to teacher and government employee salary increases and could even have introduced compulsory purchase legislation.

The new congress, which sits in July, will now be passed the "hot potato" of drawing up policy for redistribution of most Philippines land.



There are signs that civil unrest could begin to undermine the credibility of Mrs Corazon Aquino, the Philippines President, at home and abroad, following an abortive coup over the weekend, Richard Gourlay reports from Manila.

A minor military mutiny this weekend by a small group of soldiers left one soldier dead. There have been three previous military revolts since Mrs Aquino came to power.

Early on Saturday, a handful of troops broke through the main gate of the army headquarters in Manila to try to free more than 100 soldiers who were imprisoned for their part in a revolt against Mrs Aquino in February.

The mutineers, led by a former army bodyguard of deposed president Ferdinand Marcos, again demanded that Mrs Aquino stand down and hand over to the military. Mr Marcos denied from his exile in Hawaii that he was behind the latest revolt.

The revolt ended after only eight hours when the 42 prisoners who joined their would-be rescuers surrendered to troops loyal to Mrs Aquino after one mutineer had been shot.

Mrs Aquino's spokesman called this weekend's incident the "last convulsion of a dying beast" referring to the still sizeable body of supporters loyal to Mr Marcos.

Asian nations improve their performance

Asian Development Bank expects growth to taper off in most of the region this year, reports Robin Pauley

MOST OF the developing member-countries of the Asian Development Bank (ADB) improved their economic growth last year, with only the few heavily dependent on exports of primary commodities experiencing a second successive year of recession.

The bank's 1986 annual report, published this week, expects lower growth for most during 1987.

Last year two countries were notable for economic difficulties: the Philippines, which registered scarcely any growth in gross domestic product (GDP) after a long period of contraction; and Singapore, which has fallen from the pinnacle of economic glory and suffered difficult structural adjustments in 1985 and 1986.

Other regional trends identified in the ADB report include:

- A sharp decline in the aggregate trade deficit of the developing member countries from \$12.7bn in 1985 to \$1bn in 1986;
- The weighted average inflation rate in these countries was 5.5 per cent in 1986 compared with 6.6 per cent in 1985 (with prices falling 1 per cent in Singapore and rising only 1 per cent in Malaysia and Taiwan.
- More stringent borrowing and debt management policies;
- Increased efforts to mobilise domestic resources, particularly through improving tax administration rather than raising tax rates.

The main factor behind improvement in economic performance of the newly industrialising countries (NICs) in 1986, after a drop of GDP growth in 1985, was the dynamism of their large export sectors.

So GDP grew by 8.7 per cent in Hong Kong in 1986 compared with only 0.6 per cent in 1985, 11.4 per cent compared with 5.4 per cent in Korea, and by 9.9 per cent compared with 4.3 per cent in Taiwan. Singapore's GDP grew by 1.9 per cent compared with a fall of 1.8 per cent in 1985.

Most developing member countries pursued fiscal policies aimed at cutting budgetary imbalances, stimulating the private sector and attracting foreign investment.

ADB lending during 1986 totalled \$2bn, of which more than \$1.3bn was for projects, most of the rest being for sector loans and credit loans and only \$179m being programme loans.

Lending for agriculture and agro-industry increased sharply, accounting for 41 per cent of lending in 1986 compared with 29 per cent in 1985.

Lending for energy projects more than doubled in 1986 both in volume and as a proportion of total lending.

Lending for social infrastructure — water supply and sanitation, housing, education and health—fell sharply.

The bank started direct lending to private enterprises and financial institutions without government guarantees during 1986 and a pool-based variable interest rate system came into effect.

It is clear from the annual report, however, that some of the old problems which plague multilateral development banks remain.

In some projects progress is hampered by "such problems as shortages of counterpart funds, manpower and institutional constraints, cumbersome procedural requirements, lack of co-ordination between line agencies, unfamiliarity with Bank procedures and requirements; poor performance of contractors, cost over-runs and technical problems."

Nkomo stays optimistic on unity

BY TONY HAWKINS IN HARARE

MR ROBERT MUGABE'S surprise decision last week to break off unity talks between his ruling Zanu-PF party and Mr Joshua Nkomo's minority party, Zapu, is only a temporary setback, according to Mr Nkomo.

While Zapu is angry and disappointed at the unilateral decision to end the talks, it sees the move as tactical, pointing to Mr Mugabe's reference to wider discussions that will replace the bilateral negotiations.

In his indepedence day broadcast last Friday, Mr Mugabe said the talks had been going nowhere and there was no useful purpose in maintaining the dialogue. He did not explain how the talks deadlock had arisen but some political sources blamed excessive demands by Zapu for senior posts in the unified party and the Government.

Others point to deep divisions within Zanu-PF itself over the desirability of unity,

The talks were designed to unite the country's two nationalist parties prior to the establishment of a one-party state in Zimbabwe. Mr Mugabe apparently hopes to pursue this goal by widening the talks

WORLD ECONOMIC INDICATORS

RETAIL PRICES
(1980=100)

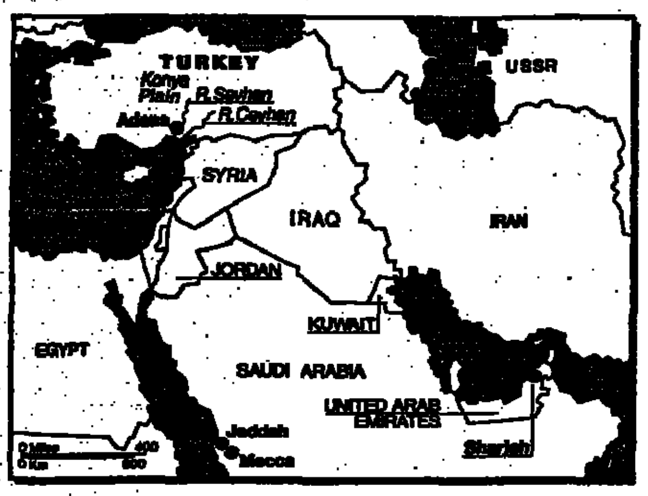
	Feb '87	Jan '87	Dec '86	Feb '86	% change over previous year
US	135.7	135.2	134.3	132.8	+2.2
W. Germany	120.7	120.6	120.1	121.3	−0.5
France	165.5	165.2	163.7	160.0	+3.4
Italy	207.2	206.3	205.1	198.7	+4.3
Netherlands	121.5	121.3	121.8	122.6	−0.9
Belgium	143.6	143.3	142.7	142.1	+1.1
UK	150.2	149.6	149.0	144.5	+3.9
Japan	113.5	114.1	114.6	115.3	−1.6

Source (except US): Eurostat

OVERSEAS NEWS

Turkey in plan to pipe drinking water to Arabia

BY DAVID BARCHARD IN ANKARA AND JOAN GRAY IN LONDON



TURKEY is to offer to supply *up to 2bn cubic metres a year* of drinking water to the Arabian peninsula, according to officials in Ankara.

Brown and Root of the US has submitted a pre-feasibility report on proposals to build two water pipelines to run from southern Turkey, at a cost of between \$7bn and \$10bn (£4.3bn to £6.25bn) each.

"The scale of the project is consistent with others such as the 'man-made river' in Libya to carry water to the coast from aquafers under the desert," said Mr Keith Dodson, president of Brown and Root's land-based activities outside the US.

His study concluded that, although the capital investment was large, it was economically feasible as the cost of piped water would be one third the cost of desalination.

"Technically it has all been done before," he said.

The pipelines would carry water from the rivers Seyhan and Ceyhan, which rise in the mountains of southern Turkey above Adana and run into the Mediterranean.

Turkish engineers have argued for many years that water from the rivers should be pumped up to irrigate the Konya plain in central Turkey—a proposal which Mr Turgut Ozal, the Turkish Prime Minister, recently rejected as likely to yield a much lower return than exporting the water to the Arab world.

Brown and Root's study envisages that the first pipeline would run 2,200 km south through Syria and Jordan to Jeddah and Mecca in Saudi Arabia. A second pipeline, 2,400 km long, would pass through Iraq and Kuwait to the United Arab Emirates (UAE), ending at Sharjah.

Turkish officials have begun exploratory contacts with Arab governments, including those of Syria, Jordan, Iraq, Saudi Arabia, Kuwait, and the UAE.

However, there are no funds available for the project, *although it is believed that this* is being tackled by Mr Ozal.

Turkey has good working relations with all the governments involved and believes it will be able to overcome the obvious political problems likely to crop up.

A Government official close to Mr Ozal said: "The idea is to create interdependency between nations of the region which at the moment find it difficult to get on with each other because they have few common interests."

He said the water would cost Arab customers one third of the cost of desalinated water.

Mr Ozal has already *discussed the idea* with President Ronald Reagan and King Fahd of Saudi Arabia. It is also said to have come up in recent bargaining between Syria and Turkey.

All countries through which the *pipeline passed would have* the right to buy drinking water from it. They would also, presumably, be allowed to charge royalties on the throughput as Turkey does for crude oil passing along the 940 km *pipeline which links the Iraqi* oil fields at Kerkuk with the Turkish Mediterranean coast.

For Turkey, the pipeline would strengthen immeasurably its influence in the region—something which Mr Ozal's pro-Islamic Motherland Party has been striving for since it took office in December 1983.

Enron pipeline offer to Peru

BY DOREEN GILLESPIE IN LIMA

ENRON of Houston, whose petroleum subsidiary, Belco, was expropriated 15 months ago by the Peruvian Government, has offered to organise the finance and construction of a trans-Andean pipeline from Shell's recent gas find in the southern Peruvian jungle to the coast.

Enron's offer is subject to payment of compensation for the expropriated assets. The company is offering to invest in the pipeline half the compensation it receives from Peru.

Enron is seeking \$400m (£250m) for its expropriated oilfield assets and is suing its insurer, American International Group, in the US for a \$200m policy which has not been settled. It is also waiting for a political decision from the Government to pay for the assets.

Belco was taken over at the end of 1985 when it failed to reach an agreement on oil contracts rescinded by President Alan Garcia.

The Government claims Belco was not expropriated but that its contracts were liquidated because it would not accept new government terms. Occidental Petroleum, the only other foreign oil producer in Peru at the time, signed new contracts with Petro Peru, the state-owned oil concern.

Enron is proposing a joint venture with Petro Peru and Royal Dutch Shell to build a pipeline and handle transport of gas. Enron, whose preliminary study finds the pipeline technically and economically feasible, is offering to help the Government to raise extra finance.

At the same time, Shell, which has reported reserves of 7 trillion cubic feet of gas and 200m barrels of condensates, in the new field, has started negotiations with Petro Peru on terms and conditions for development of the gas. By the end of the year it will have spent \$200m on exploration since 1981.

Murder that still casts cloud over Grenada

By Stephanie Gray

ALMOST three and a half years after the event, the tiny Caribbean island of Grenada has still to recover from the trauma of the murder of its revolutionary leader, Mr Maurice Bishop, and the subsequent invasion by US and Caribbean forces.

The long trial of 18 members or military associates of the Bishop Government and the conviction and sentencing to death of 14 of them, which has preoccupied the island's 93,000 people, hangs like a cloud over the US-inspired Government of Mr Herbert Blaize.

His beleaguered administration is being subjected to intense international pressure at the way the trial was conducted and at the death sentences imposed last December on 13 men and one woman—almost all of the leadership of Bishop's New Jewel Movement—for the murder of the much loved Prime Minister, four of his cabinet ministers and seven others in the aftermath of a feud within the party.

Should the defendants' appeal, restricted to the local Appeals Court, fail in June or July, the 14 are expected to be hanged shortly afterwards. They include General *Hudson Austin*, the *former* People's Revolutionary Army chief, Mr Bernard Coard, Mr Bishop's deputy, and Mr Coard's wife, Phyllis.

The international campaign centres on the argument that the Government, a coalition of competing parties, manipulated judicial arrangements to deny the accused a fair trial and to deprive them of ultimate recourse to an unbiased hearing by the judicial committee of the *Privy* Council in London.

Last year's trial, which cost the Government many millions of dollars it can ill afford, was conducted in an undeniably unconstitutional court.

The court was established by the Bishop Government when it lost the services of the regional court system which, a year after the revolution of 1979, was revamped to become the Eastern Caribbean judicial system.

This court, which was formed under a treaty establishing the conservative Organisation of Eastern Caribbean States (OECS), provides the right to appeal to the Privy Council. Grenada, while a party to the treaty, was denied entry

Tory strategists step up pre-election activity

BY PETER RIDDELL, POLITICAL EDITOR

THE Conservative Party is examining new ways of publicising its manifesto commitments as the Labour Party plans a counter-attack to revive its fortunes by alleging a hidden Tory agenda for post-election action.

Pre-election speculation and campaigning enters a fresh phase this week with the House of Commons returning tomorrow from the short Easter recess and the parties intensifying their preparations for a possible June poll. This could be announced in less than three weeks' time.

The growing expectation among ministers and MPs that an election will be held on June 11 or 18 has been reinforced by the increased pace of activity among Conservative strategists.

The general belief is that something will have to go badly wrong for the Tories in the May 7 local elections to halt the June bandwagon, provided that Conservative support remains at or above its current 40 per cent level in the opinion polls, and that the Social Democratic Party Liberal Alliance remains in third, rather than second, place.

Mrs Thatcher and senior ministers have now agreed the main outlines of the Tory manifesto which will include proposals on restructuring education, public and private rented housing, domestic rates reform, privatisation of remaining state industries and a further drive to regenerate inner cities.

The main concern of Tory strategists is how to highlight the commitments which they regard as both more radical and central to the campaign than in past elections.

They want to avoid the oblivion which normally descends on manifestoes and are examining ways, previously not seen in British politics, of presenting the pledges under one theme and of continuing to draw attention to them during the campaign.

In particular, Conservative Central Office is examining the impact of its successful conference last October when a number of proposals were presented under the central theme of "the next move forward," now refined to "moving forward".

The manifesto, although in an advanced state of preparation, will continue to be revised and adapted until an election is called.

However, the Labour Party is planning to counter-attack by releasing a lengthy booklet setting out a "hidden agenda" for implementation by the Tories after the general election of extensions to value added tax, cuts in the welfare state and increases in council rents. Labour argues that the booklet is based on ministerial comments. A similar exercise made some impact during the 1983 election campaign.

THE Social Democratic Party/Liberal Alliance is to receive further large-scale financial support for key features aspects of its organisation in the general election from the Joseph Rowntree Social Services Trust. This is the York-based charitable body which makes donations to a variety of political and pressure groups.

The trust has decided to make a series of grants to the Alliance totalling about £150,000 and specifically related to the general election. About half of this has not yet been allocated. This is in addition to the roughly £100,000 given to the Alliance over the last two years.

The resulting total of about £250,000 for the pre-election and campaign period is likely to be broadly equivalent to the level of support before the 1983 general election.

This represented over a tenth of the Alliance's estimated spending in 1983. While additional sources of finance have since been found, notably through direct mail fund-raising, support from the Rowntree trust is still regarded as important, particularly for the part leaders.

Teaching unions to spell out conditions

By David Brindle

MORE THAN 300,000 members of the two main teachers' unions in England and Wales are to be issued with guidelines advising them from next week to work permanently to contract in response to the revised employment conditions being imposed on the teaching profession by the Government.

The move, disclosed yesterday, has the potential to change fundamentally the nature of school teaching. Until now, the job has been largely unregulated and founded on the concept of voluntarism.

Under the unions' guidelines members will be given timesheets and diaries to ensure they can exercise a right to work no more than 1,265 hours a year, or a notional average 35 hours a week, and can thereby contain school activities within these limits.

Details of the strategy emerged at the annual conference in Eastbourne of the National Union of Teachers (NUT), the biggest teaching union, where the extent of the breakdown in relations between the Government and many teachers' leaders was demonstrated in debates unprecedented in their political content.

The NUT is not affiliated to the Labour Party and has no political fund. But Mr Gordon Green, a Birmingham head teacher and the union's immediate past president, received a thunderous ovation when he told conference. "This Government deserves no support from the teachers of this country and every Conservative candidate in the country should be aware of it."

Similarly, Mr Malcolm Horne, the union's vice-president, said: "If we are going to win this battle we are going to have to change the Government's mind or change the Government." And Mr Peter Griffin, who chairs the union's salaries committee, said: "All our efforts should be directed towards a political solution to our problems."

However, the prospect of further disruption in the schools is not welcome to the Labour Party in a pre-election period. In addition, the NUT yesterday put Labour-controlled local authorities on the spot by calling on them not to implement the Government's employment conditions and not to discipline teachers over breaches of them.

The permanent work to contract being urged by the NUT and the National Association of Schoolmasters/Union of Women Teachers (NAS/UWT) seeks to take the Government's employment conditions, some of which take effect in the school term beginning next week, and apply them to the letter in the hope of demonstrating that British education cannot work by diktat.

Mr Fred Jarvis, the NUT's general secretary, said the responsibility for whatever might result in schools would lie at the door of Mr Kenneth Baker, the Education Secretary, and other government ministers.

At the NUT conference on Sunday, delegates voted not to comply with the school tests planned by Mr Baker for children at ages 7, 11 and 14.

Marks and Spencer to sell sports equipment

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

MARKS AND SPENCER, Britain's biggest retailer, is planning a major diversification from its range of foods and textiles to sell sports equipment such as tennis rackets and snooker cues.

The move, which takes place later this month in leading stores, is part of Marks' search for new growth areas to maintain its leading position in British retailing.

Marks' executive have identified the sports equipment sector – which at present is estimated to be worth about £800m a year at retail prices – as likely to be one of the significant growth areas of the early 1990s.

A recent market report on sports equipment, published by the Jordans research company, supports this view. "With the increase in leisure, and the general interest in healthy living, sport has become very much a way of life for many people," the report says.

Marks' move into sports equipment follows successful sales in recent years of sports clothes, such as track-suits and leotards.

The new equipment on sale ranges from an exercise bicycle at £99.95 to a skipping rope at £5.99.

Golf equipment is among the most expensive items available, with a full set of golf clubs costing almost £200.

Marks is also aware of the current boom in snooker in the UK and is selling cues ranging in price from £9.99 to £27.50. A lightweight graphite tennis racket will retail at £45.

Britain's Sports Goods Industry. Jordans, Brunswick Place, London N1 6EE; £325.

British Rail denies 'go-slow' on Eurotunnel

By David Churchill

BRITISH RAIL last night rejected criticisms that it was "going slow" over reaching an agreement on the terms on which it would use the proposed Eurotunnel rail link.

BR said it was "only too aware of the importance of reaching an agreement" and was on course for reaching a negotiated deal by early May.

Talks between BR, the Eurotunnel company, and the French railways group SNCF, are due to resume today amid speculation that BR – and to a lesser extent SNCF – are unhappy with the original terms agreed for operating the rail link.

Agreement between the two rail networks and Eurotunnel is vital to ensuring further finance for the project. A spokesman for Eurotunnel was confident yesterday that such an agreement would be reached.

Among the issues still to be decided are the speed at which trains would use the proposed tunnel and the fees charged by Eurotunnel.

The importance of the agreement is that it will pave the way for further long-term loans of up to £5bn from a number of major banks to finance the bulk of the project. Before then, Eurotunnel will be able to go ahead with interim financing arrangements aimed at raising up to £100m through a private underwritten equity issue in July.

Pinewood to cut staff

BY RAYMOND SNODDY

PINEWOOD STUDIOS, the largest British film production centre, is reducing its staff by more than a half to cut costs.

Pinewood, north of London, is giving up its role as the last fully serviced film studio in Britain. In future film companies making a film at Pinewood will pay for the "four walls" and will have to hire technical staff on a freelance basis for the duration of individual films.

Two years ago Pinewood employed more than 800 people. The number has gradually been reduced to 409 as the phasing out of capital allowances has made Britain a less attractive place to make international films.

As a result of the latest change the number of staff at the studios, which made the Bond films and the Carry On series, will fall to 170.

UK NEWS

Lucas poised to close South Wales factory

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS Electrical, the motor components subsidiary of Lucas Industries, is likely to close its instrumentation factory employing nearly 900 workers at Ystradgynlais, South Wales.

Talks started by Austin Rover, the state-owned cars company, have failed to persuade Nippon Seiki, a rival Japanese supplier, to save the factory.

Nippon Seiki, which will replace Lucas as the principal supplier of dashboard instruments to Austin Rover, must now find a UK manufacturing base.

Seiki might use the Austin Rover volume and the UK as a base from which to seek to expand sales throughout the EEC.

Seiki has been appraising the Ystradgynlais operation in recent weeks and has rejected the idea of a deal with Lucas.

Union leaders are aware of the vulnerability of Ystradgynlais but they fear it could be the first of a series of redundancies in the loss-making Lucas Electrical subsidiary.

Sir Godfrey Messervey, Lucas Industries chairman, said last month that any activities that could not be made profitable and internationally competitive would be put into joint ventures, sold, or in the last resort closed.

The Lucas accounts show that provisions of about £30m have been made for planned closures, including the announced run down of the Great King Street headquarters in Birmingham.

Austin Rover executives were surprised at Lucas Electrical's response when it decided late last year to place the contract for instrumentation on its planned new middle range car with Nippon Seiki. The AR8 car is to be built in collaboration with Honda of Japan.

Austin Rover had complained for some time about the technology and quality of the Lucas instrumentation. The contract for the dashboard instruments on the Rover 800 saloon was placed with Veglia of France on condition they were made in the UK.

Instruments on the Rover 200 are supplied by Lucas, but under licence from Nippon Seiki. Austin Rover argued that it has no choice on quality and technology but to give the AR8 work to the Japanese, and urged Lucas in the meantime to become competitive.

Lucas maintains that without the AR8 contract, Ystradgynlais, which is heavily dependent on Austin Rover, was not viable and would have to close. Lucas is thought to have indicated Austin Rover should immediately seek alternative supplies for instrumentation on the Mini, Metro, Maestro and Montego models.

Austin Rover, which has declared its intention to maintain the present high level of UK content in its cars, made it a condition of awarding the work to Seiki that manufacture had to be in this country.

The state-owned car company urged Seiki to enter talks with Lucas to seek an arrangement to save jobs at Ystradgynlais. Failure of that initiative means Austin Rover will now press Seiki to find a manufacturing location convenient to supply the assembly complexes at Cowley, Oxford, and Longbridge, Birmingham.

Austin Rover is also likely to reassure components suppliers that the Lucas issue does not reflect any change in sourcing policy.

Companies say skill shortage will affect their output in 1987

BY CHARLES LEADBEATER

BRITISH industry is still badly affected by skills shortages, according to a survey published today.

About a fifth of manufacturing companies expect their output in 1987 to be limited by an inability to recruit skilled workers, according to the survey of 1,164 companies conducted by the Confederation of British Industry (CBI) and the Manpower Services Commission (MSC).

It found that 19 per cent of the companies expect output to be limited by skill shortages. Ten per cent said a lack of skilled workers would limit investment spending in the coming year.

However, the survey's findings suggest skill shortages may have eased marginally in the last year. A similar survey in 1985 found 22 per cent of manufacturing companies expected output to be limited by skill shortages in the succeeding 12 months. In 1984, about 17 per cent of companies predicted serious skill shortages.

Companies, the output of which has been constrained by skill shortages for more than a year expect the problem to worsen. The survey revealed 250 occupations in which skilled workers are in short supply. Professional engineers, electronics engineers, computer staff and other high technology workers were most frequently mentioned. Workers with traditional skills, however, such as machining and welding, are also in short supply.

Among companies reporting skill shortages which will limit their investment plans, 57 per cent cited shortages of scientists and engineers, and 42 per cent skilled manual workers.

The CBI said there was evidence that employers are taking steps to overcome these constraints. In the textiles and clothing industry more than 70 per cent of companies suffering skill shortages are retraining workers.

Mr John Banham, the director general of the CBI, said the survey confirmed the urgent need to expand opportunities in further and higher education to produce more scientists and engineers.

Mr Bryan Nicholson, the MSC's Chairman, said he expected such initiatives as the recently launched Local Employer Networks to give companies more influence in the training and education system.

ITC tops table with its pre-tax profits

By Martin Dickson

ITC ENTERTAINMENT, a producer and distributor of feature films and television programmes, was named yesterday as the privately-owned British company with the highest profits, totalling £15.2m ($24.9m) pre-tax in the year to June 1985.

Norwich City Football Club emerged as the fastest-growing private company in 1984/85 – the latest period for which statistics were available – with pre-tax profits totalling £1.67m in the year to June 1985, a rise of 875 per cent on the previous 12 months.

The figures are given in the Growth Companies Register 1987, a study of Britain's fastest-growing private businesses, published by Financial Publishing.

The statistics exclude public limited companies (plcs), which means that a small number of larger unquoted companies do not appear.

The second-highest profits were recorded by Robert Stephen Holdings (£12.7m in the year to December 1984), a management and industrial holdings group, and it was followed by Associated Octel (£11.96m in the year to December 1985), a management services and property group, and British Tissues (£11.5m in the year to December 1985), a manufacturer of paper products.

The highest directors' emoluments were payed by EWM Investments, a management services business, which paid its directors an average of £783,000 in the year to October 1985, followed by LHW Holdings, a commodity and futures broking company, with an average of £313,500 in the year to March 1985, and Andrew Brownsword Collection, publishers of greetings cards, with £295,500 in the 12 months to December 1985.

Growth Companies Register 1987. Financial Publishing, 31–37 Cursitor Street, London EC4A 1LT. £95.

UK NEWS

Industry 'must cut 750,000 jobs to stay competitive'

BY JIMMY BURNS, LABOUR STAFF

THE Confederation of British Industry (CIB) has publicly distanced itself from the results of a report it sponsored which suggests that British industry will have to shed 750,000 jobs in the next three years just to maintain its competitiveness.

The figure has been calculated by A. T. Kearney, the management consultants, from the results of a survey on overhead effectiveness and corporate organisation in 1000 companies. The survey sponsored jointly last year by the CBI and the Institute of Administrative Management, is due to be published on April 29.

The survey finds that the UK is lagging well behind the US in management to staff ratios, with up to 50 per cent of staff costs accounted for by the management structure. Although most companies in recent years had tackled the problems of costs by reducing their direct workforce, they have so far made little effort to follow the US example in directing "indirect labour" on management itself.

Nevertheless, the survey predicts that the tendency to shed labour will continue for the next two years with the introduction of new technology acting as a "major cost displacement lever."

The CBI says that it has "no doubt" that companies will continue to examine personnel costs and the "period of change is not over." But it emphasises that "it would be wrong to link future technological change with the rapid shedding of jobs."

"All the evidence to date points to the fact that industries which are investing in the new technology are developing the job base for the future", the CBI says. Mr Alec Marsden, one of the authors of the report, stressed that the figure of 750,000 was a national figure which most governments in the UK would find it difficult politically to bring about.

"What we're suggesting, however, is that if there is no such job-cutting then UK Ltd is going to go out of business because of uncompetitiveness," Mr Marsden said.

The survey suggests that despite political considerations, the resolve to tackle these numbers is now common to a majority of companies.

Virtually all the respondents cited the control of personnel costs as a priority factor in ensuring short-term profitability. All companies interviewed had addressed the problems of cost control through the reduction of direct workers in the last five years.

In 1982, when A.T. Kearney conducted a similar survey, only 65 per cent of respondents had attempted a cost reduction programme.

It suggests that the potential for a knock-on effect on white collar staff may become more acute since the majority of companies have switched the focus of their policy from short-term cost cutting towards longer term effectiveness, based on investment in computerisation and organisational restructuring.

"Not even the leading UK companies have yet fully addressed the control of indirect staff and management costs. If the US experience is to be believed, then the organisation structure itself will be the next major target", the survey says.

Employers puzzled by steep fall in graduate applications

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

STEEP falls in job applications by students are puzzling employers seeking graduate recruits from universities and polytechnics.

BP, a longstanding recruiter on Britain's campuses, has had only about 4,500 applications this year – a drop of 40 per cent from the 7,500 received in 1986. Other big employers such as the food chain J. Sainsbury have experienced falls which although less drastic are still surprisingly large.

Universities also report sharp drops in the number of final-year students presenting themselves for job interviews held on campus. At Manchester, for example, interviews reached a 10-year low of 7,000, compared with 9,000 a decade ago and 10,000 in the peak year of 1981.

Despite the declines, some employers say that the applicants are generally of a higher average quality than in previous years.

"To judge by those we have seen so far, we do not expect to have much difficulty in filling our vacancies with people of a high standard," commented Mr Angus Clark, Sainsbury's personnel director.

Mrs Margaret Orchard, responsible for graduate recruitment at BP, said: "We're not anticipating any shortfall, especially since our target intake target is only about 170 as against 300 last year."

Mr Keith Bell, chairman of the Association of Graduate Recruiters, denied that students' slowness to apply is in response to a shortage of jobs on offer. "I don't think there's any overall decline in opportunities. My guess is that more posts will be filled this year than last."

His claim is supported by universities' reports that although larger numbers of organisations cancelled previously arranged interviewing of organisations cancelled previously that not enought students had asked for appointments to make the visit to the campus worthwhile.

"I'd say that what's happening is caused by a complex of factors," Mr Bell explained. "Some studnets may be taking a relaxed approach to job-hunting in the belief there'll still be an aequate range of vacncies available later in the year. Others havae probably decided to give priority to preparing for their final examinations.

"Then again, there might well have been a general switch to being more selective in the organisations they approach. Universities and polytechnics have for years been trying to persuade students to target their job-search instead of just spraying off 30 or 40 applications more on less on spec."

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GMAC Overseas Finance Corporation N.V.

Dated: April 17, 1987

UK NEWS

Charles Leadbeater reports on an ambitious protest against mass unemployment

Reaching out to stir Britain's conscience

HANDS Across Britain, an organisation formed little more than three months ago, hopes that May 3 will be remembered for one of the events of the year – a 375,000-strong human chain stretching from Liverpool to London.

The chain will be the largest protest against unemployment of recent years. But many of the organisers hope it will be more than another quickly forgotten demonstration.

The Manpower Services Commission (MSC) schemes, which aim to improve the unemployed's chances of competing in the jobs market and to reduce the unemployment count, are the Government's main response to high unemployment. The MSC's approach presents unemployment as a problem of training, skills, and work experience.

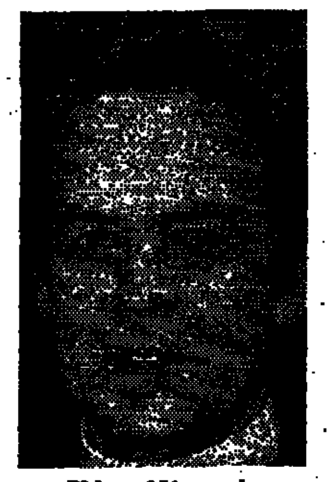
Hands Across Britain is an imaginative and potentially powerful, political alternative. For it will present persistent high unemployment as a fundamental question about the character of British society in the late 1980s.

Can a society in which employment is perhaps the fundamental source of social status, individual purpose, and family income, prevent persistent high unemployment creating a demoralised, deprived, disenfranchised, minority?

Social divisions in Britain experienced during the times of full employment in the 25 years following the second world war were based on skills and earnings differentials. These have been superseded by a starker division; between those in, and those out of work.

The Right Reverend David Shepherd, the Bishop of Liverpool says Hands Across Britain aims to challenge a creeping complacency which threatens to legitimise and stabilise that division.

"Comfortable Britain, will be wooed during the general election campaign by promises which appeal to its sectional interests. We should be ashamed of the level of the appeal made by political parties to voters. We must challenge the attitude which accepts as normal what ought to be intolerable," he says.



Bishop of Liverpool: fighting complacency

It is not just that "In-Work Britain," as Bishop Shepherd calls it, has in the past few years enjoyed a consumer boom made possible by real earnings gains. Those in the world of work are well catered for by pressure groups – trade associations, employers federations, trade unions, professional associations – which articulate their distinctive interests.

Many of the unemployed people involved in Hands Across Britain complain that they have been doubly disenfranchised: left behind by the labour market, they say they are also invisible to a political system which is ill-equipped to directly represent a significant minority of the population.

Could a permanent campaigning organisation of unemployed people be born from the demonstration?

Past demonstrations, organised by the trade unions, have quickly passed into history, dismissed by the accusation that the unemployed were being co-opted to the cause of sectional, partisan, policies.

Ms Molly Meacher, the campaign's co-ordinator, says it was clear from the start that only a novel, non-political form of protest would have an impact. The idea for the human chain was borrowed from Hands Across America, last year's protest against poverty in the US, which involved about 7m people.

She and two others started work on January 1, and the campaign was officially launched about two weeks later.

They set out to create a grassroots organisation which would directly involve the unemployed. However, as several of the campaign's 1,000 local organisers admit, overcoming the fatalism and isolation of the unemployed has been enormously difficult.

The campaign has had uneven success. Mr Sean Keeley one of the organisers in Salford, north-west England, who has long been involved in the local unemployed workers association, believes the campaign has already done enough to be a success.

"It has highlighted the issue locally and set the unemployed a mammoth task to achieve. If we can organise this we can go on to become a permanent campaigning group," he said.

Others are less confident that they will be able to meet the target of providing the 1,000 people per mile needed to complete the chain, partly because they have had limited success in reaching so-called "comfortable Britain."

In Milton Keynes, south-east England, which should be a test case of whether the campaign can touch the consciences of "in-work Britain", Mr Mike Boyd says the town lacks a sense of community which could be drawn upon for such a campaign.

The local group believes that despite the support of the local media it may fall well short of its target of 10,000 people.

Similarly at Burton on Trent, in an East Midlands area of low unemployment, the local organiser admits the town might be a 'missing link', because there has not been enough time to organise it.

Unlike many other organisations, the campaign has been unable to draw on the resources of those who would benefit directly from it's success.

Most of the funding has come from predictable sources – local councils and trade unions. Few of the companies on the route, which passes through the manufacturing heartlands which have seen tens of thousands of redundancies in the past few years, have made donations.

But the campaigners hope that the widespread involvement of churches will encourage the support of a wider constitutency.

Reverend Jonathan Sewell, at Ilkestone, believe many of his conservative congregation will join the demonstration which will be an unfamiliar sight in a semi-rural market town.

The churches' role has helped to highlight the campaign's claim to being non-political, which Ms Meacher says is vital to its appeal.

However, she also recognises the campaign should go beyond a cry of despair and anger to present a view of how unemployment could be reduced.

"Unemployment can be brought down by higher demand. That inevitably gets us into a political area. But we are appealing to a broad swathe of people, who form a consensus from the Tory left, to the Alliance and the Labour centre-left, whol are opposed to current policy. We do want to avoid specific policy commitments, which smack of party politics," she explains.

Ms Meacher is confident that 375,000 will protest against unemployment on May 3rd. She is less confident that a complete chain will be formed.

But she insists that should not be the sole measure of whether Hands Across Britain is a success. There is already tremendous pressure within the organisation to formalise Hands Across Britain as a permanent campaigning group for the unemployed, whether or not the demonstration is a success on the day.

Ms Meacher envisages a campaigning organisation which would link those in and out of work to prevent the unemployed being consigned to impotent dependence." The unemployed are never consulted on issues which affect them, whether its arrangements at DHSS (Welfare) offices, the organisation of MSC schemes or government policy. They need a voice of their own."

Such a political pressure group, would not just challenge the Government. It would also challenge the idea that the traditional party political battle over the unemployment is capable of representing and encapsulating the interests at stake.

For it would suggest the unemployed do not believe the traditional institutions of the "working class" – the Labour Party and the trade unions – are capable of fully representing the interests of workers without work.

CONSTRUCTION CONTRACTS

Derby builder's good start

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BOWMER and Kirkland, a privately owned Derbyshire-based building and civil engineering contractor, has won orders worth £54m in the year so far.

And, reflecting current trends in the construction industry, all are in the buoyant retail, commercial, leisure and housebuilding sectors.

"We used to do a lot of civil engineering work but it has all dried up and the majority of work around at the moment is retail and commercial building," said Mr Ken Lee, sales director.

"We've relied particularly on the retail sector for the last three years, and most of the civil engineering work we do now is because large supermarkets need civil engineering skills in preparing their foundations, drains, car parks and roads, especially on difficult inner city and edge of town sites."

The largest of the latest £54m batch of eight contracts is a new superstore for Sainsbury at Derby—Bowmer and Kirkland's seventh for the company in four years—with attached DIY and garden centre for Homebase.

The company is also fitting out a new Children's World retail warehouse at Leicester for the Boots Company: building a new auction centre at Peterborough for the GB Auction Group; a new swimming pool and leisure complex for Leicester City Council; and an office block at Eakring in Nottinghamshire for BP Petroleum Developments.

Also in line with the changing pattern of the industry's workload, three of the contracts are in the buoyant market of the London area: a sheltered housing development at Ealing for the Ealing Family Housing Association, refurbishing houses at Stanhope Gardens, SW7, for Priormine, and refurbishing the Griffin Hotel at Kingston-upon-Thames for Historic City Developments.

"We had to look south for growth," said Mr Lee. "A third of our work is now in London and we have an office of 40 people there today where we had only four 18 months ago."

Wimpey to build civic centre at Basildon

For the second time in less than a year WIMPEY CONSTRUCTION MANAGEMENT, a division of Wimpey Construction UK, has won, in competition, a management contract for civic development, from Basildon District Council, Essex.

The latest is a £13m contract for the Basildon Centre, which will be linked through a reception hall to the new Towngate Theatre, which is now taking shape under the Council's earlier contract with Wimpey Construction Management and is due to open in 1988. Service links will integrate control, security and computer systems between the two.

The Basildon Centre will include an underground car park, a computer suite, library and various meeting rooms at first, ground and basement levels; upper floors will house the civic offices. The piled foundations will support a concrete frame with external elevations finished in brickwork, and atria will provide natural light for the offices. The project has started and is due for completion in spring 1989.

Work begins at Sizewell 'B'

STENT SOLETANCHE, a joint venture between Stent Foundations (a Balfour Beatty company) and Soletanche Enterprises of Paris, has been awarded the first major civil engineering contract for Sizewell "B" nuclear power station.

Valued at £10m, the contract is for the construction of a diaphragm wall around the proposed Sizewell "B" site. The wall will form a water cut-off to permit building in dry conditions the main foundations for the station down to 18 metres below Ordnance datum.

The wall is to be 800 mm thick, 55 m deep and 1,260 metres long. This is the largest contract of its type let in the UK and will necessitate a fast programme as 69,500 sq metres of wall have to be constructed in under 21 weeks.

Stent Soletanche will employ two reverse circulation "Hydrofraise" machines, only available to the joint venture. The machines were developed specifically for excavation in non-cohesive soils and rocks. This will be only the second time that such a machine has been employed in the UK, the first occasion being at the Chesterfield inner relief road where the retaining walls for Balfour Beatty's contract were similarly constructed.

Mobilisation will commence in June and the contract is programmed to be completed by Christmas 1987.

Stent Foundations is a BICC Company.

★

HORTON CONSTRUCTION, part of Southampton-based Leading Leisure, has been awarded a £700,000 contract by the New Forest District Council to build 25 flats for elderly people at Blackfield near Fawley. The flats make up the second phase of a development in Hampton Lane, Blackfield. The first phase, 26 old people's flats, is also being undertaken by Horton Construction for Hythe Rotary Housing Association. The first phase is due to be completed in October this year and the second by June 1988.

Monk wins £16m orders

Orders worth over £16m have been awarded to A. MONK & CO.

Monk management contracting division has won two major contracts totalling over £10.5m. Constructing the first phase of a sports centre at Barnsley is valued at £6.74m, for Satman Developments (23). This comprises a swimming pool totalling over 5,460 sq metres with a variety of facilities. Phase 1 is but part of a project that is expected to total over £12m providing a complete sporting complex.

The largest single Japanese investment in Telford to date forms the second contract awarded to the division. Phase one of this development, valued at £3.88m, is for an office and factory covering 11,500 sq metres, manufacturing video cassette recorders for NEC Technologies (U.K.). Further phases will involve manufacturing of colour TVs, mobile telephone systems, and facsimile machines involving a total investment of £16m on a 48-acre site.

Monk regional contracts include:—in South Wales £1.79m for external refurbishment of houses for the local authorities and £1.08m for building a two-store detached primary school at Cwmpare. In the north east a £220,000 control and command complex for a new police headquarters at Cleveland, alterations and extensions at St Lukes Hospital in Middlesbrough, value £820,000 for South Tees Health Authority, and £1.1m for reinforced concrete structures at Doncaster Leisure Park. In the north west, Monk is to construct a restaurant for Unilever Research valued at £140,000.

Monk is a Davy Corporation company.

★

BOVIS CONSTRUCTION has been awarded a £1.2m management contract to refurbish 45,000 sq ft of Walden House, Cathedral Place, London EC1, as expansion space for Freshfields. The project involves installation of a new mechanical and electrical system throughout eight floors of the nine-storey office building. The project is due for completion in June.

Leisure complex at Deal

RUSH & TOMKINS has won more than £11m worth of building contracts in the UK including a £2.5m design and construct project with Dover District Council for a leisure pool at Victoria Park in Deal, Kent.

The 22,000 sq ft steel frame complex includes a wave pool, figure-of-eight flume and splash pool with a river run linking to a jacuzzi, bubbler and toddlers' pool. A health and fitness suite, bar, cafeteria and 110 car parking spaces are also provided. Completion is scheduled for May 1988.

A £850,000 design and construct contract with Envopak is for a three-storey office building at Sidcup, Kent. In Scotland a £1.8m design and construct contract has been placed by CORT for a new Co-op supermarket. Also underway in Scotland is a £900,000 contract with Cambridge Electronics Industries for finishes and external works at BEPI Circuits in Galabank and a £500,000 contract with the Post Office for alterations to the Royal Mail Parcel Centre in Glasgow.

Work has started on a £1m seven-month contract with Moorfield Homes for a Co-op supermarket, shop units and library at Primrose Lane in Halton, Leeds. In Daventry a £630,000 contract from the district council has started for five factory units at Drayton Fields and a £440,000 contract has been placed by the County Council for alterations to Coleman New School in Gwendolin Road, Leicester.

An £850,000 contract for English Estates in Hartlepool, Cleveland, is for four factory units at Park View Industrial Estate, and in County Durham an £800,000 contract with Aycliffe & Peterlee Development Corporation is underway for nine units at Aycliffe Industrial Estate. A £280,000 refurbishment at Zetland Buildings in Middlesbrough has also started for the Endeavour Housing Association.

Finally, the company has begun work on a £475,000 fitting out contract with Littlewoods at The Quedam Centre in Vicarage Street, Yeovil. Also in progress is a £380,000 factory for Pensford Press at Abergavenny and a £340,000 science block at Mary Hare Grammar School in Newbury.

Broadgate structural steelwork

Trafalgar House steel fabrication specialist REDPATH DORMAN LONG has won the order for steel fabrication and erection on Rosehaugh Stanhope's Broadgate development, phases 6 & 7. The contract, worth £10.8m, is for the beam and column structures of the office development, with long-span trussed floor beams.

Another Trafalgar House company, Richard Lees, will be supplying Ribdeck 60 steel flooring for the buildings. Fabrication of the steel will commence at the end of April at Redpath Dorman Long's Manchester and Glasgow works, with on-site erection scheduled to start in mid-June for completion by the end of the year.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Allied-Lyons	May 8	Final 6.25
Assoc. British Foods	May 19	Final 4.2
Aust. & NZ Bank	May 19	Interim 15 cts
*BCI	Apr 13	Final 15.0
BOC	May 12	Interim 4.37
*Bank of Scotland	Apr 22	Final 8.8
Bass	May 21	Interim 4.2
British & Com'wlth	May 15	Final 2.8
*Bunzl	Mar 21	Final 5.75
*Costain	Apr 29	Final due
English China Clays	May 13	Interim 4.25
Extel	May 8	Final 8.0
*F. R. Group	Apr 29	Final 2.5
Ferguson Industrial	May 22	Final 5.15
Grand Met.	May 15	Interim 4.0
*Guinness	Apr 23	Final due
*Inchcape	Apr 27	Final 11.0
*Kwik Save	Apr 23	Interim 1.8
Land Securities	May 14	Final 6.9
*Marks and Spencer	May 6	Final 2.65
Plessey	May 22	Final 4.172
RHM	May 20	Interim 2.12
Royal Bank of Scotland	May 7	Interim 4.0
Sainsbury J.	May 20	Final 3.85
Sears	May 13	Final 2.5
Stakis	May 8	Interim 0.45
*Tarmac	Apr 28	Final 11.75
Tate and Lyle	Apr 30	Final 7.2
*Tesco	Apr 29	Final 3.7
Tootal	Apr 29	Final 2.5
Trafalgar House	May 6	Interim 6.2
U.E.I.	May 8	Final 3.5
Utd. Scientific	May 19	Interim 2.2
Vaux	May 8	Interim 1.18
Wellcome	May 1	Interim due
Whitbread	May 27	Final 5.55

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY

DIVIDEND & INTEREST PAYMENTS—
DPCE 0.58p
Islington 11.8pc Red. 2017 5.95pc
Wells Fargo 0.38cts. Do. Fltg. Rate Nts. 2000 $58.89

TODAY

COMPANY MEETINGS—
Citygrove, Dorchester Hotel, Park Lane, W., 11.00
English and Scottish Investors, 2 St. Mary Axe, E.C., 2.30

BOARD MEETINGS—
Finals:
Capital & Regional Properties
EIS Group
Edinburgh Inv Tst
First Charlotte Assets Tst
London United Investments
TV-am
Interims:
Cosalt

DIVIDEND & INTEREST PAYMENTS—
Anglia Television 7.5p
Anglo-American Secs. 5.5p
Camellia Invs. 8p
Christiania Bank OG Kreditkasse Fltg. Rte. Subs. Nts. 1997 $322.92
Citygrove 1.5p
Co-operative Bank Sub. Fltg. Rate Nts. 2000 £137.93
Davies (D. Y.) 1p
Die Erste Osterreich Sparcasse Sub. Fltg. Rate Nts. 1992 $322.82
Law Debenture 4.75p
Nat. West. Fin. Gtd. Fltg. Rate Nts. 2005 $308.18
Royal Bank Canada Fltg. Rate Dbs. 2005 $5.833333

TOMORROW

COMPANY MEETINGS—
Barclays, 54 Lombard St., E.C., 2.30
British Vita, British Vita Corp. Centre, Oldham Rd., Middleton, Manchester, 2.15
Gartmore Information and Fin. Tst., 2 St. Mary Axe, E.C., 3.00
Hewitt (J.) North Stafford Hotel, Station Road, Stoke-on-Trent, 12.30
Jaguar, London Marriott Hotel, Grosvenor Square, W., 11.30
Lloyds Bank, 71 Lombard St., E.C., 3.00
Memec, Hotel Russell, Russell Square, W.C., 12.00
Pacific Assets Tst., One Charlotte Square, Edinburgh, 12.30
Sale Tilney, 28 Queen Anne's Gate, S.W., 12.00

BOARD MEETINGS—
Finals:
APV
Ayrshire Metal Products
Ashley (Laura)
Bank of Wales
Bank of Scotland
Bosse Massimi Pollitt
Clayform Props
Densitron Intl
Ellis & Goldstein
Great Southern Grp
Intnl Business Communications
Micro Focus
Neill (James)
Parrish (J.T.)
Securities Trust of Scotland
WA Hldgs
Interims:
Jersey Electric
Keystone Investment
Union Carbide

DIVIDEND & INTEREST PAYMENTS—
Brierley Invs. 4.5cts.
Bristol and West Building Soc. Fltg. Rate Nts. 1992 £137.15
Britannia Building Soc. Fltg. Rate Nts. 1996 £273.70
City and Foreign 1p
Industrias Penoles Fltg. Rate Nts. 1989 $250.00
Intereurope Technology Services 2p

THURSDAY APRIL 23

COMPANY MEETINGS—
Automated Sec., 259 City Road, E.C., 12.00
Bluebird Toys, Europa Industrial Park, Parsonage Road, Swindon, 11.00
Consd. Venture Tst., 11 Devonshire Sq., E.C., 12.00
Eadie, Royal Scottish Auto Club, Glasgow, 11.45
Kode Intnl., Holiday Inn, Lower Castle St., Bristol, 12.00
Microvitec, Midland Hotel, Cheapside, Bradford, 12.00
Royal Insurance, Chartered Insurance Institute, 20 Aldermanbury, E.C., 11.30
SPP, Bakers' Hall, Harp Lane, E.C., 12.00
Steetley, 103 New Oxford St., W.C., 11.30
Vickers, Conference Hall, Millbank Tower, Millbank, 12.00
Watmoughs, Parkway Hotel, Otley Road, Leeds, 10.30
Wilkes (James) Law Soc., 113 Chancery Lane, W.C., 12.00
Woodhouse and Rixson, Tapton Hall, Sheffield, 11.45

BOARD MEETINGS—
Finals:
Aberdeen Steak Houses
East Rand Gold Uranium
Etam
Guinness
Hartons Group
Lilleshall
Petrocon
Platignum
Reed (Austin)
Sunlight Service
Whatman Reeve Angel
Interims:
Carrolls
Free State Cons Gold Mines
Kwik Save
Low (Wm)
Orange Free State Investments
Share Drug Stores
Transvaal Group Gold Mining
Vaux
Welkom Gold

DIVIDEND & INTEREST PAYMENTS—
Coronation Synd., 55cts.
Provident Financial 9p
Shires Invst., 3p
Twentieth Cent. Uid. Collieries 130cts.

FRIDAY APRIL 24

COMPANY MEETINGS—
Assam-Dooars, 7 Hobart Place, S.W., 11.30
Baillie Gifford Shin Nippon, 3 Glenfinlas St., Edinburgh, 12.00
Braime (T. F. and J. H.) Hunslet Road, Leeds, 3.15
Britoil, 301 St. Vincent Street, Glasgow, 3.00
Bryant (Derek) 30 Threadneedle St., E.C., 12.00
Duncan (Walter), 1 Hobart Place, S.W., File, 12.00
Fife Indmar, Smeaton Rd., Kirkcaldy, Fife.
Hall Engineering, Birmingham Hotel, N.E.C., Birmingham, 10.15
Invergordon Distillers, 9-21 Salamander Place, Leith, Edinburgh, 12.30
Laing Props., Inn on the Park, Hamilton Place, Park Lane, W., 12.00
Mount Charlotte Invs., Mount Royal Hotel, Bryanston St., W., 12.00
Saga Holidays, Bouverie House, Middleburgh Square, Folkestone, Kent, 2.30
Spring Ram, Spring Bank Industrial Est., Sowerby Bridge, Halifax, 12.00
TSB, Scottish Exhibition and Conference Centre, Glasgow, 3.00
Tyne Tees Television, Television Centre, Newcastle Upon Tyne, 2.30
Waddington (John), Wakefield Road, Leeds, 9.30

BOARD MEETINGS—
Finals:
Allebone
Beattie (James)
British Island Airways
Clayton, Son & Co.
Falcon Industries
Liberty
Molynx
Upton (E)
Interims:
Berry Trust
British Assets Trust
Equity & Law Intl Funds
Futura
Scottish Metropolitan Prop

DIVIDEND & INTEREST PAYMENTS—
Afex 8cts.
Alexanders 0.71p. Do. A 0.71p
Anglo American Gold Invst. 500cts.
Black (Peter) 0.67p
Continental Assets 1p
Diploma 7pcPf. 2.45p
Gartmore Information and Fin. Tst. 0.575p
Haggas (John) 1p
Interlink Express 2.35p
Kleinwort Overseas Inv. Tst. 1.5p
Lee International 1p
Logica 0.5p
Microvitec 0.75p
NCR 25cts.
Northchart Invsts., 4cts.
Novo Inds. DKr 4
Pacific Assets Tst., 0.77p
Pacific Sales 1p
Parker Knoll 5p. Do. A 5p
Steetley 10p. 4½pcPf. 1.575p
Task Force 1.18p
Trinity Intnl., 15p
Watmoughs 5.8p

SATURDAY APRIL 25

DIVIDEND & INTEREST PAYMENTS—
Bankers Tst. New York 41.5cts.
British Inv. Tst. 5ecDb 1983-88 2½pc
Conversion 9½pc 2004 4¾pc
Exchequer 11pc 1991 5½pc
General Electric Co. 63cts.
Manchester (City of) 11.5pc Red. 2007 5¾pc
Manufacturers Hanover 82cts.
Scottish and Newcastle Brews. 6pcDb 1984-89 3pc. Do. 6¼pcDb 1985-90 3⅛pc. Do. 7¼pcDb 1989-94 3⅝pc.
Treasury 8½pc 1988 4¼pc
Treasury 10pc Cnv. 1990 5pc

Trade Fairs and Exhibitions: UK

April 24-26
Atari Computer Show (061-456 8835) — Novotel

April 26-May 4
London International Furniture Show (01-385 1200) — Earls Court

April 26-28
International Confectionery Market Exhibition — INTERCONFEX (01-661 4900) — NEC, Birmingham

April 26-29
Incentive Marketing Exhibition (01-686 9200) — Brighton Metropole

April 27-30
Audio Visual Exhibition (01-688 7788) — Wembley Conference Centre

April 28-30
British Electronics Week (0799 26699) — Olympia

April 29-30
London Engineering Design Show (0895 58431) — Sandown Exhibition Centre

May 1-13
Northern Ideal Home Exhibition (0602 501202) — G-Mex Centre, Manchester

May 2-4
Photographic Exhibition (01-661 4900) — NEC, Birmingham

May 7-9
Scottish Freight Transport and Distribution Exhibition Conference (01-642 7688) — Aviemore Centre

May 10-13
Business to Business Exhibition (01-729 0677) — Barbican Centre

May 12-15
Automated Manufacturing Exhibition and Conference—AUTOMAN (01-891 5051); Quality Assurance & Production Inspection Technology Exhibition INSPEX (01-940 6066) — NEC, Birmingham

Overseas

April 22-28
International Computer & Office Automation Exhibition—KIECO (01-439 0501) — Seoul

April 25-30
International Wire and Cable Production and Wire Products Exhibition—WIRE ASIA (08833 7755) — Beijing

May 5-8
International Footwear and Leather Goods Show (01-379 0765) — Taipei

May 6-10
International Contract Floor Coverings Exhibition (01-734 0543) — Frankfurt

May 8-13
International Industrial, Automation, Process Control Technician and Equipment Exhibition CHINA INPROTECH (02403 29406) — Beijing

May 17-20
Business Efficiency Exhibition—BEE/OFEX (02403 29406) — Hong Kong

May 20-28
International Technical Fair (spring) (021-705 6707) — Budapest

May 27-June 2
International Trade Fair for Machinery & Equipment for Wood & Forest Industries—LIGNA (01-651 2191) — Hanover

Business and Management Conferences

April 24
CBI Making and using sales forecasts (01-379 7400) — Centre Point, WC1

April 27
Financial Times The regulatory issues facing foreign banks in London (01-621 1355) — Barber-Surgeons' Hall, London

April 29
NEDC in association with FT: Enterprise, success and jobs: people—the key to success (01-621 1355) — Queen Elizabeth II Conference Centre, SW1

May 1
HS Conference Studies: Stansted Airport and the Essex/Hertfordshire Interface—opportunities for development (01-935 2382) — Cafe Royal, W1

May 4-7
The Textile Institute: World conference—textiles: product design and marketing (061-834 8457) — Como

May 6-7
Financial Times: The fifth FT manufacturing forum (01-621 1355) — Hotel Inter-Continental, W1

May 11-12
Financial Times: World textiles into the 1990s (01-621 1355) — Hotel Inter-Continental, W1

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY (212) 765-5700) — New York Hilton

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

MANAGEMENT: Small Business

Charles Batchelor reports on the role of small business in the West German economy

A special case of their own making

A stonemason in Cologne Cathedral: powerful handicraft and industrial organisations give strength to the small firms sector in West Germany

"IT MAKES no sense to have special support policies for small- and medium-sized companies in West Germany," says Rainer Neumann, an executive of the country's Association of Chambers of Industry and Commerce (DIHT).

"Policies for the Mittelstand—literally 'the middle classes'—are part of general economic and social policy. If we do have special policies they should be for the big concerns."

The domination of the West German economy by smaller, often family-owned companies, is vividly born out by the statistics. Of the 1.9m businesses in West Germany 99.8 per cent come under the definition of Mittelstand — they are run by independent owner/managers, employ up to 500 people and have a turnover of under DM 100m (£34.5m).

These concerns, ranging from a television production company in Munich to a mechanical engineering concern in the Ruhr, from a secretarial employment agency in Cologne to a car repair workshop in Hamburg, employ two-thirds of the West German workforce and contribute nearly half of the country's gross national product.

Despite the increased popularity of a public listing — 16 companies joined the Frankfurt Stock Exchange in 1986 — German businessmen are reluctant to seek a public quotation for their company. Frankfurt, the country's main exchange, lists only 365 German public companies on its full and secondary markets, compared with 2,445 UK companies listed in London.

But more important than their numbers and their legal status is the role these companies have traditionally played in creating a stable and increasingly prosperous society.

While British government policies in the wake of the Bolton report of 1971 have been directed towards creating an entrepreneurial "middle class", German policies have had the task of consolidating — some critics would say feather-bedding — a deeply rooted craft and industrial tradition.

In recent years, the private sector in Britain has put into place with impressive speed a network of some 350 local enterprise agencies to advise small businesses. Germany has not needed to build such an organisation because this advisory role has long been filled by a nationwide network of Handwerk (handicraft) organisations and chambers of commerce.

A combination of tough anti-cartel laws and the importance of regional centres of business activity has allowed the smaller firm to retain its important position in the German economy. This has been further fostered by the existence of powerful handicraft and industrial organisations with which all firms must register.

"Ever since the founding of the Federal Republic in 1949 the Mittelstand has been seen as a stable, conservative element in society," says Peter Andersen, head of the basic policy section for smaller enterprises in the Economics Ministry. "Policies were aimed at maintaining social stability."

It was only in the 1970s that Germany, in common with other countries in Western Europe, recognised that its Mittelstand had the flexibility to respond quickly to economic change. This in turn led to the realisation that the Mittelstand could make an important contribution by replacing jobs which were being lost in the coal, steel and shipbuilding industries.

This latest phase has led to a proliferation of programmes by the federal government, the 11 states (Laender) and the local authorities aimed primarily at easing the smaller firm's access to finance and specialist advice.

The various programmes now number several hundred and are encountering increasing criticism. "We have found 50 schemes for helping start-ups alone," says Gert-Walter Minet, an economist in the smaller firms division of the Federation of German Industry (BDI).

"These programmes run to 110 printed pages. But what is their effect? Companies often have to spend hours filling in lengthy forms with formal details which have nothing to do with the actual running of the business." Even the Economics Ministry's slim booklet summarising the federal government programmes is 70 pages long.

The prospect of the EEC adding a further layer of small firms promotion programmes is regarded with horror by most Mittelstand groups in Germany. EEC efforts to provide support in the form of financial aid or information programmes might be appropriate in Spain or Portugal but would be superfluous in Germany, they argue.

Dissatisfaction with the multiplicity of small firm support programmes has coincided with government plans to reform the federal tax system. The present system, which imposes a heavy tax burden on middle income earners, is to be replaced with one in which tax rates rise more evenly.

To finance this reform DM19bn (£6.6bn) will have to be saved on spending programmes over the next three years. Which programmes will go has yet to be decided but the general principle, of creating a favourable economic climate for business, rather than giving help to specific sectors has been accepted.

"The programmes had become confusing and had nothing to do with sensible economic policy," says Andersen. "We want more transparency and more efficiency. The Mittelstand no longer needs a special advocate to put its case."

This new fiscal rigour is expected to lead to the ending of the federal programme for providing long-term funds to start up companies and of a special scheme to help technology-based companies pay for research and development staff. There is some political pressure to maintain these programmes, however.

Under the start-up programme, for example, new companies may borrow up to DM 300,000 over 20 years—with no repayment required for up to the first 10 years. After two interest-free years interest rises to a maximum of 5 per cent after five years—2.5 percentage points below current rates of interest.

But even if these—to many European eyes—mouthwateringly cheap federal funding programmes are cut back, equally attractive funding programmes are operated by three state-owned credit institutes with access to cheap funds initially provided by the US Government under the Marshall Aid programme to rebuild war-battered Germany. These programmes would be maintained.

Despite the attractiveness of the programmes, Bernd Eversmann, a director of the Westdeutsche Landesbank, estimates that only one in five new companies takes up public funding—either out of ignorance or because they do not want to go through tough approval procedure.

The rigour of the selection process is effective in reducing the failure rate of new firms to around 10 or 11 per cent over the first six years. This compares with an overall failure rate of all start-ups of 40 to 50 per cent—though this figure too is lower than the 66 per cent failure rate usually assumed for new British firms over a five to six year period.

While these relatively low drop-out rates are a source of satisfaction to lenders they do raise questions about whether the German system is missing the high-risk high flyers as well as the duds. Eversmann puts the number of innovative new companies being created at less than 3 per cent of the total while Klaus Noetzel, a director of the Equalisation Bank (DAB) puts it even lower—at just 1 per cent in 1984.

Noetzel outlines the selection procedure for a DAB loan. "We look at the man's curriculum vitae and only give money if he is skilled and has experience. A teacher who wants to open a restaurant won't get any money from us. It could only go wrong. We know most failures result from a lack of competence.

"We do realise though that the fact that a man is a good cook does not mean he can run a restaurant. We get him to produce a business plan which we compare with data for that sector on our computers to see if it is realistic."

The result of this caution has been that half of all DAB loans have gone to the traditional Handwerk or handicraft sector while just 4 per cent have gone into industrial companies.

"We must concentrate funds on the more innovative areas," warns Reinhard Clemens, deputy director of the Institute for Smaller Enterprise Research (IFM) in Bonn. "We have always taken the view that the Mittelstand could look after itself."

But opinions in Germany are divided on whether federal programmes should be targeted more carefully at special sectors. "The businessman should be allowed to decide which area he can make the most profit in," says Burkhar Mueller-Kaestner, chief economist of the Reconstruction Loan Corporation (KfW). "We cannot be cleverer than the market."

In recent years this policy has served West Germany well and helped promote strong economic expansion. But this month's warning from the country's five leading economic institutes that growth is slowing down may strengthen pressure for a reassessment of this liberal tradition.

One way to break the vicious circle

FOR ALL the differences in the British and German approaches to small business promotion the problems Anne Bachhausen faced when she decided to set up a secretarial agency in Cologne would be familiar to any small businessman or woman in the UK.

"The banks were my biggest problem," says Bachhausen with a force which shows that, eight years on and with her business now well established, her early dealings with the financial world have left their scars.

Unable to provide securities she failed to persuade the banks to make a loan. Despite her long experience working for a secretarial agency, and the fact that she had already signed up some big clients, the bankers were unimpressed. She eventually went ahead with DM 60,000 of her own savings.

Significantly, she decided against applying for any of the public sector programme funds to help small business, though it is unlikely, after the commercial banks had turned her down, that the even more conservative public credit institutes would have given her a loan.

"I would have had to disclose too much to get public funds," she says. "It would have cost time and money to prepare a detailed business plan and get the necessary approvals."

She also tangled with a bureaucracy which requires signatures and approvals from a range of official bodies including the local treasury office and the courts.

Without the signatures it proved impossible to rent offices and without the office address it was impossible to get the signatures. Bachhausen says she finally broke through this vicious circle by staging a sit-in at the estate agents until he agreed to assign her a lease.

The 270,000 new businesses which start life in Germany each year normally go through a fairly standard registration procedure but Bachhausen feels the business she was going into—job placement is generally the preserve of the local labour office—and the fact that she was a woman may have made things difficult for her.

Potential customers, too, proved cautious and it was only by taking a secretarial job with some clients herself that she was able to demonstrate the quality of the service she was offering and win the contract.

She also faced the usual cash flow crisis experienced by many small businesses in their early months. She had to pay her staff and meet their health insurance bills before money started coming in from customers. Two years after starting up she was forced to reduce staff numbers to survive.

Now she has a business—Buero Personal Service GmbH—employing 60 secretaries and with an administrative staff of three. Turnover is DM 5m (£1.7m) and, though her initial motivation was independence rather than the desire to make money, she is comfortably ahead of her previous salary level.

Exporting: not quite so difficult

EXPORTING may not always be fun but it is not such hard work as many smaller British companies seem to think. That is the message of a study* of the export activities of some 2,000 small and medium-sized firms published this month by the British Overseas Trade Board.

"Our findings overturn much conventional wisdom on the subject," says the report's author, Graham Bannock. Many firms over-estimate the difficulties of selling to overseas markets. The most serious barriers to exporting are not so much lack of competence but a lack of knowledge, commitment and persistence, the study shows.

If "passive" exporters—which have no export strategy and only sell abroad occasionally—could be persuaded to become "active" exporters—which make more than 15 per cent of their sales abroad—British small firms would add £5.2bn to the country's export total. If non-exporters could be encouraged to become only "passive" exporters a further £600m of overseas sales could be achieved, the BOTB says.

The report contrasts the attitudes and responses of successful and unsuccessful exporters. The former look at projected returns on a long-term basis; the latter see exporting as a gamble with spare cash. The former carefully build up in-house expertise and assume that mistakes will be made; the latter are overwhelmed by early obstacles and blame others for their failures.

The publication of the report coincides with a change in the BOTB's approach to export promotion. Instead of sending an adviser for a half-day visit to a company which is already selling overseas, it wants to run more seminars and export clinics to reach the non-exporter.

And, rather than BOTB staff talking to people, a greater effort will be made to persuade businessmen who already export to pass on their experiences.

Into Active Exporting, BOTB, 1 Victoria Street, London SW1H 0ET. Tel: 01-215 7877.

C B

OVERSEAS NEWS

Andrew Gowers studies recent moves in the Mideast peace process

Waiting for the Super-powers

"THE STORY of the search for peace and justice in the Middle East is a tragedy of opportunities missed," proclaimed President Ronald Reagan at the launch of his own peace initiative in September 1982. "If we miss this chance to make a fresh start, we may look back on this moment from some later vantage point and realise how much that failure cost us all."

Four years after the Reagan initiative ran out of steam, exhausted by varying degrees of hostility from both sides of the Arab-Israeli dispute, the Middle East has become the subject of another, albeit lesser, flurry of diplomatic activity.

Mr Leo Tindemans, Belgium's Foreign Minister and current chairman of the EEC council, has just completed the first leg of a mission to the region to try to conjure some progress out of the Community's declaration several weeks ago in support of an international conference on the issue.

King Hussein of Jordan was in Europe earlier this month and his Prime Minister and Foreign Minister were in Washington, trying to whip up support for a conference. Mr Shimon Peres, the Israeli Foreign Minister, has been touting his own version of the idea. In differing intonations, Arab League ministers voice their support for the concept in one form or another.

The words "international conference" have become part of the standard West European and, interestingly, Soviet vocabulary to deal with the Middle East conflict. Yet in a curious way, all this evidence of diplomatic activity seems illusory.

In recent months, despite the desperate optimism with which they have grasped at signs of support for a conference, the spirits of moderate Arab leaders have been at a low ebb. In private, the talk among foreign policy-makers has been all of missed opportunities and of the dangers of a drift to extremism. Mr Reagan's 1982 words still seem to haunt the debate.

In part, this is because of the "Irangate" revelations, which have inflicted severe damage on the image of the US, the ally of moderate Arab states and, of course, a key arbiter in any eventual conference. King Hussein said in an interview with the FT earlier this year that the Reagan Administration had lost all credibility in the region as a result of its arms sales to Iran, whose radical rulers probably pose the greatest threat to moderate Arabs.

Yassir Arafat and King Hussein: barely on speaking terms now.

But the sense of frustration and disillusion goes deeper than that, reflecting an overwhelming sense of the procedural obstacles that still block the path to the negotiating table, let alone the disagreements that are certain to crop up once all the parties get there.

On the conference itself, as Mr Tindemans has acknowledged, nobody has agreed what purpose it should serve, what form it should take, or who should take part.

Mr Peres, backed by the US, says it should serve as an umbrella for direct bilateral talks between Israel and Jordan. Arab states, however, regard it as a forum in which they and the Palestinians will all talk as equal partners. They also want the five permanent members of the Security Council to guarantee fair play.

Mr Peres insists that the Palestine Liberation Organisation, which has not renounced terrorism, cannot sit at the table. His opposite numbers are groping disjointedly for a formula which will accommodate this demand in a way that might just prove acceptable to the PLO leadership.

Behind this pretty fundamental quibbling lies a bewildering stalemate on several fronts.

Two key players on the Arab side of any peace negotiations King Hussein and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation — have been barely on speaking terms since the King lost patience with what he saw as prevarication by Mr Arafat in February last year.

Between 60 per cent and 70 per cent of the King's subjects are Palestinian and he therefore needs to maintain relations with the PLO (as "sole legitimate representative" of the Palestinian people) if he is to embark on any dialogue with Israel.

The results of his split with Arafat are twofold. On the one hand, the King has been trying to go it alone with his own development programme for the West Bank and Gaza strip. The funds raised for this from the West and fellow-Arabs, however, have fallen well short of expectations, and Israeli leaders, who had been hoping to boost their tacit co-operation with Jordan over the occupied territories, are expressing increasing disenchantment.

On the other hand, the Palestinians appear to be moving to patch up their own internal differences and are, inevitably, hardening their lines as a result. The Palestine National Council —the PLO's parliament-in-exile —is meeting in Algiers this week for its first session since the Amman meeting in 1984 which heralded co-operation between the PLO and Jordan. As the price for attending, radical factions appear to have successfully demanded Mr Arafat's formal abrogation of his 1985 agreement with King Hussein which called for joint representation and a Palestinian-Jordanian confederation. King Hussein suspended the accord early last year. There is, nevertheless, bound to be tough talking in Algiers over who should represent the Palestinians at any international conference on the Middle East.

The current state of Israeli politics is in some respects a mirror-image of the divisions in the Arab camp. The grand coalition of the right-wing Likud bloc and Labour which has ruled the country since 1984 has brought a measure of calm, but it has also paralysed the foreign policy-making machine.

While Mr Peres, who handed over the premiership to Mr Yitzhak Shamir last October under the coalition agreement, travels the world proclaiming support for a conference, Mr Shamir has been simultaneously making it clear that this is not official Israeli policy.

President Hafez al-Assad of Syria, meanwhile, has not deigned to have anything to do with conference manoeuvring so far, although it is widely acknowledged that he will have to be a key player in any eventual settlement. His diplomatic isolation from the West since the Hindawi affair in which a Jordanian carrying a Syrian passport was convicted of attempting to blow up an Israeli airliner leaving London is an additional complication.

While things are at such a tentative stage, Mr Assad has no need to show his cards. Equally, there is no great pressure on the Israelis to break their domestic stalemate.

All this suggests a greater need than ever for some kind of external intervention to try to pull the diverse strands together. That almost certainly has to mean the adoption of a much higher profile on the issue by the US, which has been murmuring in recent weeks about doing something to restore its credibility in the region.

The most unpredictable card is in the hands of the Soviet Union. Moscow alone has the capacity to exert strong influence over Syria and the hard-line sections of the PLO. It has been paying significantly increased attention to the Middle East, underlined most recently by signs that it and Israel might be on the way towards restoring diplomatic relations broken off 20 years ago.

Businesses For Sale

APPOINTMENTS

Departmental posts in Barclays Bank

Mr Clive Fenn-Smith becomes managing director of BARCLAYS BANK TRUST COMPANY from July 1. This appointment is in addition to his responsbilities as a vice-chairman of Barclays Financial Services.

Mr David Turle is appointed deputy divisional general manager of the central advances department from June 19, and Mr Eddie Theobald becomes an assistant general manager there from the same date

Mr Terry Jones has been appointed internationanl trade director of Barclays' corporate division. Mr Tony Archdeacon becomes an assistant general manager from June 29, in the bank's regional general managers' office for Africa and the Middle East. Mr David Viol is appointed international services director of the international services office from May 4.

★

Mr Paul Southern has been appointed corporate finance director for the north east region of COOPERS & LYBRAND.

★

Professor B. K. Follett, professor and head of the department of zoology in the University of Bristol, has been elected a member of the ROYAL SOCIETY'S council and secretary (for the biological sciences) from August 1 in succession to Sir David Smith, Sibthorpian Professor of Rural Economy in the University of Oxford, who becomes Principal of the University of Edinburgh.

★

Mr Barry Cager is retiring from the BREAKMATE GROUP and his deputy, Mr Christopher Thomas, has been confirmed as the new managing director. The company was acquired by the Sketchley Group in early 1986.

★

FRAMPTON VILLAGE CIDER COMPANY has appointed Mr Bev Hinkley as managing director. He replaces Mr Dennis Foster who took on the new role of sales director in the recent reorganisation at Mansfield Brewery. Mansfield are joint owners of Frampton with Hazlewood Cider Company, part of the Hazlewood Foods Group. A member of the Frampton board since it was set up in May 1985, Mr Hinckley was made managing director of Hazlewood Cider six months later. He will have the backing of Mr Steve Holt, who joined Mansfield Brewery from Texas Instruments as marketing and commercial director in autumn last year, and will now combine his brewery role with a similar one at Frampton.

★

New directors appointed to the board of HENDERSON ADMINISTRATION, principal operating subsidiary of Henderson Administration Group, are: Mr D. M. Anthony, Mr J. E. Brown, Mr B. C. Burrows, Mr D. A. Collingwood, Mr R. J. Hills, Mr C. N. Lindsell, Miss S. C. Marshall, Mr J. C. D. Pilley, Mr I. Scott, Mr D. E. Taylor, Mr S. V. Toynbee.

★

Mr T. H. Kindersley is to be the new chairman of BRAITHWAITE ENGINEERS. He is a non-executive director of the Braithwaite Group. The company has appointed Mr David Wolfenden as business development director.

★

LOVELL, WHITE & KING has made the following partnership moves from May 1. Mr Matthew Hill is moving to the New York office as resident tax partner, to replace Mr Andrew Curran who returns to London. Mr David Farrington will be joining the New York office in the autumn, to strengthen the local team in the areas of trade, insurance and transportation. Mr Nicholas Gould moves to the Hong Kong office to head the construction team, replacing Mr Andrew Walker, who returns to London.

The firm has appointed the *following to the partnership from* May 1. Mr Quentin Archer (intellectual property, computers and communications); Ms Susan Burns (construction); Mr Paul Oldman (banking and corporate finance); Ms Geraldine Proudler (commercial litigation); Mr Richard Stones (banking and corporate finance); Mr Gary Watson (property); and Mr John Young (corporate and insurance).

Mr Harry Fell, vice chairman of Skipton Building Society

Following the appointment of Mr J. Brian Haggas as chairman, SKIPTON BUILDING SOCIETY has appointed Mr Harry G. Fell as vice-chairman. He became a director in 1978 and is managing director of Robert Fell, and chairman of Associated Heating Equipment Distributors.

★

LONDON RECORDS has appointed Mr Paul Lower as finance director. He joined the company in 1984 as financial controller.

★

WS ATKINS MANAGEMENT CONSULTANTS, Epsom, has appointed Mr *Harvey Gordon* as deputy managing director. For the past four years he has headed industrial and economic planning division. He is a former director of the Henley Centre for Forecasting.

★

Mr Ewen Gilmour, Mr Alastair Muirhead and Mr Crispin Southgate have been appointed to the board of CHARTERHOUSE BANK. Mr Paul Green (foreign exchange) and Mr Christopher Lee (money markets) have been appointed divisional directors.

★

CIRCAPRINT has appointed to the board Mr Ruairidh Mackenzie, financial controller, as director and company secretary and Mr Ken Mills, general sales manager, as sales director.

THE ARTS

BBC Symphony/Festival Hall

David Murray

Another very good, not very popular concert by the BBC last Wednesday: if anything about it was "obscure," it was only the choice of the closing "*popular*" work — Ravel's *La Valse*, which followed calorie-rich Reger and lean, earnest Schoenberg like a cyanide soufflé. The conductor Dennis Russell Davies made it fast, light and vicious, with a dry death-rattle at the start and an almost unbroken frantic accelerando from middle to end. The luscious tunes were left uninflected, but the baleful machinery was fully exposed. Effective, once in a way; without some preliminary seduction, however, the final ruin is only abstractly exciting.

Schoenberg's late Piano Concerto was the central work. Alfred Brendel has been playing it for most of his career (though he still plays it from the music), and its sturdy subtleties are second nature to him. Every phrase tells, the main tunes sing, and his integration of the piano-part into the orchestral music is masterly. He *is a pianist* who knows his orchestral accompaniments better than most conductors. Davies was nonetheless an alert and loyal partner, and the orchestral solos met a high standard of musicianship. In such a performance the Concerto is a wonderfully bracing piece, and humane: among the one-movement piano concerti of our century it deserves to stand with Fauré's late *Fantaisie* (even more neglected), and Ravel's evergreen masterpiece for a one-armed performer.

Max Reger's "Variations and Fugue on a theme of J. A. Hiller" occupied the first half of the concert. Phenomenally resourceful and fluent, they left me indifferent: I blame it on the time. One of these days, *aspects of* Reger are *going to* engage our full appreciation—but not yet. I admire the *Symphonic Prologue to a Tragedy*, composed a year after, and the much later "Variations and Fugue on a theme of Mozart" (from the *irresistible* Piano Sonata in A: Reger's Variations make it clear that he loved it as much as the rest of us do), and some organ pieces and even the Piano Concerto. In the Hiller Variations, even when rendered as sveltely as by Davies, I hear only a prodigal exercise of academic ingenuity. There could have been more of it, or less, or in a *different order*, and it wouldn't matter a bit. One of these days, maybe, I'll be happy to eat my words.

★

The *second of* Paavo Berglund's appearances with the Royal Philharmonic Orchestra on Thursday included a work in which he is arguably the finest interpreter of his day, Sibelius' Fifth Syphony. Yet *the magnificence of* Berglund's account—the RPO at its considerable current best, with strings and brass outstanding, and every sinew of the music directed with precise point and architectural purpose to the climatic moments in both first and final movements—proved to be *only* the crowning glory of a concert that was as good as anything heard on the South Bank so far this year, and one which reinforced the RPO's claims to a place in the highest flight of British *orchestras.*

Berglund had begun with Strauss' *Don Juan*, treated here not at all as a light-weight concert opener, but delivered with full dramatic weight and unsentimental clarity. In both the symphonic poem and Chaikovsky's Violin Concerto the orchestral playing was impressively alert. The concerto soloist was Boris Belkin, whose youthful, impassioned commitment nowadays is tempered with a degree of emotional discipline. Yet he remains a player of great persuasiveness, whose interpretations are hard to resist; in this particular concerto the combination of spontaneous exuberance and well-focused lyricism *is* itself hard to better.

ANDREW CLEMENTS

★

The Bournemouth Sinfonietta under *its principal conductor* Roger Norrington made on Thursday one of its infrequent visits to the Elizabeth Hall with a programme of Stravinsky and Mozart. The Dumbarton Oaks Concerto (lightly sprung but a bit shaky in the lower strings) and, after the interval, a lively but not really first-rate reading of the overlong *Danses concertantes* comprised the Stravinsky part; in between came an account of the Mozart D minor Concerto, K466, that existed on a quite different plane of intensity, thrust and musical conviction.

The pianist, Angela Hewitt, gave *an unvarnished*, and even rather severe view of the solo music—no Perahia-like melting moments here! — informed by a sense of dramatic excitement that the conductor (currently conducting that greatest of D minor operas *Don Giovanni*, at the Coliseum) and his players supported at every turn. This was, I think, the fastest K466 I have ever heard: but it was not clipped or breathless—urgent, rather, and geenuinely rhythmic.

MAX LOPPERT

Marina Abramovic with one of her life-size Polaroid prints at the Tate—"Thursday/Saturday"

Tate/William Packer

New Art from Europe

With Turner safely re-launched and on his way again, it is time to remind ourselves that the Tate also has its responsibilities to newer, *frailer, less* stately craft. Modern art may have few friends in Westminster and bricks fly through the air occasionally, but our *de facto* museum of modern and contemporary art must perform as such *or fail in its duty.* So it does; and if we are often presented with work that we find difficult or puzzling, or even actively dislike, so be it.

In recent years *Gerald Metals* has been sponsoring a most useful series of exhibitions under the head of *New Art*, that has brought to the Tate a wide range of current international work in every medium. *The fourth* has opened, filling the central hall beyond the Rotunda with the work of eight artists based in Germany and the Netherlands (until June 21).

All are comparatively young, *in their thirties or early forties*, but though they have shown regularly in Europe and in some cases America, and had their work included in major international festivals, they have enjoyed little recognition in Britain.

Whether this will change must wait upon events and too much, perhaps, should not be expected from this airing. It is a curator's show, chosen by Catherine Lacey of the Tate with a scrupulous regard for reputation, working context and particular idea and method.

A chacun son goût: to point a certain dryness in the show is neither to criticise nor complain but only to remark a *general character.* There are rich pleasures, if only a few, to be discovered and relished, and dryness can be a pleasure in itself. Much of the work is based in photography or uses it in one way or another as *reference or material.*

Pieter Laurens Mol has *orange smoke belching from an* actual funnel trumpet across the common street corner that is the photographic base for his mixed media relief. Marlene Dumas shows a set of paintings of heads, larger than life and *so close up as to fill each can*vas. But the nature of their detail and physical space, and the manner of their working across the surface, betray either their direct photographic reference — as it were upon a projected *slide — or suggest* a most sophisticated double-take. They are ambiguous and intriguing works.

Astrid Klein shows large photo-montages, vastly blown-up images of architectural fragments *and structural textures*, collaged, superimposed, improvised, the film itself sometimes worked directly. They are austere and bleak, but work powerfully on the imagination given a little time.

But the most striking of the photographic work — the richest, most intriguing and enjoyable work in the whole show — is that by Marina Abramovic and her partner, Ulay (Uwe Laysiepen), who have been working together since 1975. They are performance and *participation artists* for whom the camera is the natural instrument both of record and expression. In such work a balance must always be *held* between the *fleeting* moment and the fixed image, though with the *fulcrum* ever shifting along the pole that joins them. Here the point lies very close to the fixed image a work that can be taken simply *for what it carries and what it* is, with only distant reference to any justifying programme or event.

They are showing life-size Polaroid prints, the single figures black and white upon *a deep red ground, as rich and* shadowy as we might expect an Egyptian twilight to be. Miss Abramovic is herself the figure, dressed in the long skirts of the ancient Egyptians and appropriately bare-breasted, *striking successive hieratic atti*tudes in profile, as if she might be a priest or god in the paintings in the tombs.

But her head is masked by the *full black silhouette*, set beforehand upon the unexposed film, of the head *of* a bull, *or* ram, or crocodile, each in its turn. These beautiful, teasing images of ancient gods, so delicate and full of wit, are *faintly sinister still, for all the* light play they make between formal technique and contemporary, sophisticated idea and effect

Hyde Park/Swan, Stratford-upon-Avon

Martin Hoyle

James Shirley wrote prolifically under the early Stuarts. He revered and was respected by such survivors from the golden age as Massinger, Fletcher, and Chapman; and collaborated with many of them. He introduced female players into a masque-within-a-play and wrote a comedy to a scenario graciously provided by Charles I. With the Restoration, the old *Royalist* was considered dated — ironically, since in hindsight he bridges Jacobean intrigue and the cool, clear-eyed sexual fencing to come. He and his wife died of shock and exposure on the same day after losing their home in the Fire of London.

Barry Kyle's *fascinating* production of *Hyde Park*, for the Royal Shakespeare Company's Swan Theatre, is permeated with the same melancholy summer wistfulness as his *Love's Labour's Lost*, and ends with a *similar gathering of young* people, proved and tested in amatory skirmishes, moving towards maturity.

Shirley's women make most of the *running.* They *know* how to bargain for a sexual *modus vivendi* from their *own* hard-won territory. If the man-mocking Miss Carol, played in this post-World War I setting as a potential Virginia Woolf *tapping out her sharper obser*vations on a typewriter, looks back to Beatrice, she unmistakably points the way to Congreve's Millimant. And the virtuous fiancée, tested by her doubting suitor by exposure to a determined rake, gets her own back (and speaks for generations of similarly patronised maidens) by giving him the *elbow, thank you* very much. Shirley plainly respected women.

Jeremy Sams's drowsily bitter-sweet music *sets* the scene for this sub-Bloomsbury group, venturing into ragtime and "Caro mio ben" filtered through Ibert, while sounding mostly like Armstrong Gibbs. Shirley's rangy dialogue, elliptical, often fragmented, takes modernisation well. *Jealous* Trier is an artist, painter of all the female characters. A stroke of genius makes Fiona Shaw's tall Miss Carol into an attenuated Klimt-like *femme fatale*.

Intrigue surrounds the nuptials of Lacy (Richard McCabe) and Mistress Bonavent (Pippa Guard), resigned to widowhood seven years after her first husband's departure. The climax, when a gold-masked figure in white silk descends on a trapeze *to discard* a disguise and reveal the long-lost Bonavent in khaki, possibly a survivor of Gallipoli ("I was taken by the Turk"), is almost Shakespearian in its *ritualistic* completeness.

The *first night's pace* was slightly too leisurely, despite offstage horse-races (in Pepys' time they were on stage). Miss Shaw, the gawky man-hater, began low-key, *tending* to a throwaway, deflationary, undercutting delivery before any solid comic substance had materialised. She remained just a degree under, until the scene where *her despised* admirer (Alex Jennings, so good in Manchester's splendid *Country Wife)* makes her swear not to love him—a nice touch in perverse psychology, since naturally the lady then proceeds to do so.

John Carlisle's rakish lord loses much of his humour, here played as a chillingly dedicated *voluptuary suddenly* transformed into John Wesley in ascetic mood. The character is fascinating, modern in its untidy moral contradictions, but here dangerously close to a 19th-century villain.

My colleague, Michael Coveney, who lamented the *weak supporting cast in Julius Caesar*, may rest assured: the Swan company brims with talent. Felicity Dean's put-upon virgin confirms that the long *rhetorical* speeches can be movingly done.

Miscalculations include the perky page re-interpreted as my lord's spivvy lower-middle-clas ssecretary on the make. Happy touches include the earnest devotees of Isadora Duncan prancing in Grecian draperies at the drop of a fillet. (The headgear, not the fish.) Such thoughtful theatrical rediscoveries are what the Swan is for, especially when the result *is as rewarding as this.*

The Sleeping Beauty/Covent Garden

Clement Crisp

To mark the opening of a season at the Royal Opera House, the Sadler's Wells Royal Ballet last week introduced Merrill Ashley amid the glow of gold and porphyry in the Peter Wright/Philip Prowse *Sleeping Beauty*. Miss Ashley is New York City Ballet's Atlanta, the *dazzling incumbent of* many Balanchine roles, and she finds no essential disparity of style between Petipa and his rightful heir, Balanchine.

There is, indeed, Balanchinian nuance to some of her dancing *in this greatest challenge of the* traditional repertory — quick muscular reflex; brightness and vivacity of accent; an assertion of the choreography's boldest effects — but she is a true Aurora on the role's own terms, *and will be an even truer one* after greater familiarity with it. (Her only prior experience with Aurora came last year in America when she starred in a small-scale staging).

Her first act was marked by signs of nervousness. There were small insecurities in phrasing, and excessive emphasis and even excessive naturalism in dealing with mime sequences, which brought unnecessary elaboration to a simple emotional situation. But the scale of the reading — its *largeness of outline* and *of* physical statement — were already notable, and Miss Ashley found her best form in the solo of the Vision scene and in the great wedding pas de deux. Here the dance was generous, *radiantly* assured, and the *role* lived fully.

Roland Price was her cavalier, gently supportive in double-work and discreet in playing, producing an easy account of the bravura dance *incidents. The production itself* looks as handsome as ever. It is to Philip Prowse's enormous credit that a sense of historical truth, the result of his unfailing awareness of period costume and of the physical world *of Versailles, creates* for us an imaginative world of Versailles that is the ideal location for this fairy-tale ballet.

It is no less to Peter Wright's credit that with restricted *forces*, and within the context of a production designed for touring, ballet's supreme masterpiece *is so honourably* displayed. Company performances are whole-hearted, and will merit more comment as the season progresses. It is, be it gratefully noted, made possible by sponsorship from Citicorp Investment Bank.

Arts news in brief...

LFB, London Festival Ballet's smaller company, returns to *Sadler's Wells for its second* one-week season tonight with a world premiere and three London premieres, *sponsored* by Privatbanken.

Christopher Bruce's *The Dream Is Over*, which uses songs *by John Lennon* to trace the story of his life, has its world premiere on April 24, followed by the London premiere of a new work by American choreographer *Ulysses Dove set* to a commissioned electronic music score by Robert Ruggieri.

The other two London premieres are *Nocturne* by Kevin Haigen, to music by Dvorak and which opens the season, and Michael Clark's *Drop Your Pearls* and *Hog It Girl*, performed on April 24.

★

Live *opera* broadcasts will return to Radio 3 later this month, marking the end of a long-running dispute between the BBC and Equity, the actors' *union. The row—over payment* to choristers—has lasted for four years.

The new agreement, which also involves the Association of *Opera Houses, increase* the "live" relay fee for choristers from £18 to £20.

The first opera to be heard on Radio 3 will be a production of *Simon Boccanegra* by the English National Opera on April 29.

★

The Liverpool Playhouse is putting on Peter Barnes's black comedy *The Ruling Class* from April 27 for four weeks. Tim McInnerney stars as the 14th Earl of Gurney.

★

The cast of Alan Ayckbourn's *Woman in Mind* at the Vaudeville Theatre in London has changed for the remainder of the season which last 11 weeks.

The newcomers are Pauline Collins, Michael Jayston, Ralph Bates and Jacqueline Clarke.

★

Leonard Bernstein has been appointed President of the London Symphony Orchestra with whom he has been associated with since 1966.

St Matthew Passion/Barbican Hall

Richard Fairman

The plurality of baroque ensembles these days can be confusing. From their name one might reasonably be confident that the English Baroque Choir and Orchestra would be *among* the many small groups currently working with original instruments, but in fact they are not, and their Good Friday performance of Bach's *St Matthew Passion* at the Barbi*can was far nearer old tradi*tional values as the current scale of performing styles goes.

In formation choir and orchestra are strangely disparate. With a viola da gamba and a pair of recorders (taking their place as Bach's "flauti dolci") among the instruments, there is a nod towards authentic timbres and the reduced number of players does not provide the sort of heavyweight playing that Klemperer and Karajan used to get from their full symphony orchestras. But the English Baroque Choir, at nearly 100 voices in total, belongs to performances in quite a different league.

The problem is not so much one of clarity as of dramatic bite. After hearing so many expert chamber choirs in this *music recently, it comes as a* disappointment to have to forgo their brilliant attack, however accomplished the larger chorus may be. Narrative sections, in particular, need a more dynamic variety of pace instead *of* the gently and patient understanding that the conductor Leon Lovett bestowed upon the work as a whole.

It may be that the soloists too would have liked a touch more pace, but that *did* not stop some well-judged singing from the two women. In each of the soprano arias *Lynne Dawson sounded radiantly free in tone* and Claire Powell, darker and more dramatic of voice, brought a fine, tense line to the important alto part. Reliable, if *sometimes four-square*, support came from William Kendall and Peter Savidge, the tenor and bass.

Recitatives were straightforward in the modern manner (no romantic indulgence here) with the high vocal lines of the Evangelist being easily taken by Neil *Mackie's light head voice* and Michael George supporting him as a sturdy Christus, both of them handling the German text with admirable clarity.

Chamber choirs/St John's, Smith Square

Andrew Clements

For its Smith Square concert in *Holy Week the New London* Chamber Choir came up with a fresh approach to programme building. The Tenebrae Responsories that Gesualdo wrote for Good Friday are generally heard nowadays as a *concert item in their own right*, totally divorced from the context in which they were intended to be heard. Conducted by James Wood, the *NLCC on Wednesday attempted* to recreate the original service of which the Responsories formed a part, interleaved between the antiphons, psalms and lessons that made up a liturgy which would have been celebrated *during the* early hours, to end in total darkness as candles were extinguished one by one.

Such an extended celebration was obviously too long for an evening's concert, and so Graham *Dixon's reconstruction* of the service was only partial, omitting most of the antiphons and psalms and concentrating instead on the sequence of lessons and Responsories. The mixed choir sang Gesualdo's settings with considerable care (though the few psalms delivered by male voices at the beginning of the programme seemed less polished) and the four male voices *assigned to the lessons and* deployed around St John's delivered their contributions with great presence. The air of contrived piety which surrounded *the occasion* was not, however, much to my taste. While I can understand the historical and musicological reasons for placing Gesualdo's gravely beautiful music as far as possible in the precise *environment that generated it*, the result was less a musical experience than an imposed religious one. The implication that one cannot appreciate *Gesualdo's genius* without sharing his beliefs is, to me, rather dubious.

Interpolated into the 16th-century sequence was the first performance *of an a cappella* piece commissioned by the choir from Jonathan Harvey. *Forms of Emptiness* sets a characteristically exotic confection of texts—the Sanskrit Heart Sutra, overlaid with three poems by e e cummings — to music which itself is stylistically heterogeneous. The setting of the Sanskrit combines Stimmung-like vocal harmonics with spoken passages, while the poems move through a variety *of styles from* Palestrina to the present: quick snapshot-like hints of different idioms which pass quickly across the surface of scarcely changing chant beneath. In the work is buried, I suspect, the germ of a much *bigger work that could* explore its theme of the transitory juxtaposed with the external at far greater length. As it stands, however, too much *seems* to be crammed into too short a timespan, so that the textures become congested and the essence of its argument is obscured.

★

On Maundy Thursday the Hilliard Ensemble offered the right programme in the right place for the day and age: sacred works in the deconsecated St John's, Smith Square — safe for agnostic consciences, and maximally flattering to an *a cappella* ensemble with one voice per part. Though it feels almost as odd to applaud an Ockeghem Mass as it does to review it, the affair was set nicely in perspective by the presence among the (modest) *audience of a King's Singer in* designer jeans.

The Hilliard *incipit* was a poignant dialogue-duet by Anon, sung pluckily in Old English. I should like to see the scholarly defence for their short treatment of the double "o," but the aesthetic effect was impeccable, neither archly colloquial nor churchy. Ockeghem's *Missa Caput* sounded wonderful with a mere four voices: gently ecstatic *counter-tenor* — extraordinarily taxing part, beautifully executed without show — over warm, steady tenor, lower voices entering from time to time to make the foundation audible. The teeming fantasy *of this highly wrought music* remains a marvel, owing to routine Renaissance intricacies. The superlative Hilliard pitching expanded in St John's as only the most musical intonation can do, toughened by the *period-pungent tang of their* second tenor. Music lovers who think themselves disabled from appreciating such stuff through lack of conviction are mistaken; *they ought* to try the *Hilliard's* Schütz at the Wigmore on April 29.

The second half of the Hilliard concert brought John Taverner's "Dum transisset sabbatum" motet, with its revolving *harmonic sequences* hauntingly turned, and both the Tallis *Lamentations.* There the ensemble allowed themselves some proper theatre: not only a *pleading* edge for the cries of "Jerusalem" in the First Lamentation, but something like urgent desperation in the "Omnes persecutores" of the Second. Again their address remained within the bounds of *ecclesiastical* reverence, and yet exposed a wealth of feeling. In these 1980s, *there must* be a great many Londoners still who have been too shy to discover the power of such music. There is no better medium, I think, than the Hilliard Ensemble.

DAVID MURRAY

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. *Exhibitions/Thursday. A selective guide to* all the Arts appears each Friday.

April 17–23

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Otello, in the production by Elijah Moshinsky first shown earlier in the season, is conducted by Edward Downes, and has Vladimir Atlantov in the title role, with Rosalind Plowright as Desdemona and Sherrill Milnes as Iago (240 1066).

English National Opera, Coliseum: *One of the crucial landmarks in the* formation of Russian opera, Dargomyzhsky's Stone Guest, joins the repertory of a British company for the first time. Graham Clark, Kathryn Harries, Sally Burgess and Neil Howlett are the principals, Paul Daniel conducts, and Keith Warner is the producer. This version of the Don Juan Legend is playing in the ENO repertory alongside the greatest of all, Don Giovanni, which brings Roger Norrington as conductor and Jonathan Miller's lively, uneven *production* Back to the Coliseum. The new production by David Alden of Simon Boccanegra is terribly dated-modernist, with every second image a dip into the sea of surrealism; but it is finely conducted by Mark Elder, and the cast (Jonathan Summer, *Gwynne Howell*, Janice Cairns in particular) are excellent. (836 3161).

PARIS

Maurice Béjart's XXth century ballet: Malraux or the Metamorphosis of the Gods. TMP-Chatelet (4233 4444).

Montsegur alternates with Elektra conducted by Kent Nagano, in which the violence of music multiplies the atmosphere of folly reigning between Clytemnestra sung by Helga Dernesch, Elektra interpreted by Gwyneth Jones and Chrysothemis by Cheryl Studer/Helene Garetti. Paris Opera (4266 5022).

Spectacle Stravinski conducted by Lothar Zagrosek, production and *choreography* by Wilfride Piollet and Jean Guizerix: The Fox, ragtime, recital of vocal melodies and piano, Mavra. Opéra Comique (4296 0611).

Pina Bausch and the Wuppertal's Tanztheater reveal through remorse-less questioning the essential in man in two alternating programmes: Gebirge and Kontakthof. Théâtre de la Ville (4274 2277).

WEST GERMANY

Berlin, Deutsche Oper: Tosca, with an interesting new cast led by Nelly Miricioiu and Neil Shicoff. Aida stars Margarita Castro-Alberty, Christina Anghelakova, Corneliu Murgu and George Fortune. Götterdämmerung, produced by Götz Friedrich, has fine interpretations by Deborah Polaski, Cheryl Studer, Toni Krämer, Gerd Feldhoff and Gottfried Hornik (3 43 81).

Hamburg, Staatsoper: *Lucia Aliberti* repeats her much praised performance in the title role of Rigoletto. The cast also includes Francisco Araiza and Leo Nucci. Don Carlos has a particularly strong cast with Linda Plech, Nicolai Ghiaurov, Giacomo Aragall and Giorgio Zacanaro. Der Fliegende Holländer, in Wieland Wagner's production, has Carmen Reppel, Robert Hale and Harald Stamm (35 11 51).

Frankfurt, Opera: Das Rheingold, Die Walküre and Götterdämmerung, produced by Ruth Berghaus, one of the brightest Frankfurt successes of recent seasons with Sandra Walker, Gail Gilmore, Wolfgang Probst, Heinz Zednik, Adalbert Waller, Catarina Ligendza, Helena Doese, Walter Raffeiner, William Cochran and Manfred Schenk, conducted by Michael Gielen. Ein Maskenball has *Mara Zampieri as Amelia and Luis* Lima in the part of Riccardo. Also in repertory: Orpheus in der Unterwelt and Die Entführung aus dem Serail. (2 56 21).

ITALY

Rome, Teatro dell'Opera: Three ballets to music by the Sicilian composer Franco Mannino danced by the Opera Ballet Company, conducted by Alberto Ventura (46 17 55).

Milan: Teatro Lirico: Rudolf Nureyev's ballet, Don Chisciotte, to music by Ludwig Minkus; Three Ballets: Balanchine's Serenade to Tschaikovsky's music, Bolero by Maurice Bejart, with the splendid *Luciana Sa*vignano, and Lulu – choreography by John Butler to music by Alban Berg, danced by Carla Fracci, Gheorghe Iancu and Ornella Costalonga. (86 64 18).

Milan, Teatro Alla Scala: Giuseppe Patane conducts Puccini's *Il Tabarro* directed by Sylvano Bussotti, with Eleonora Jankovic, Milena Pauli, Piero Cappuccilli, and Nicola Martinucci, and Franco Zeffirelli's production of I Pagliacci, with Daniela Dessi, Jose Carreras, William Matteuzzi, John Rawnsley and Angelo Romero; Covent Garden opera production *of I Capuleti e I Montecchi* directed, and with scenery and costumes by Pier Luigi Pizzi, conducted by Riccardo Muti, with June Anderson and Agnes Baltsa (80 91 26).

Palermo, Teatro Massimo: Krenek's Johnny Spielt Auf conducted by Karl Martin and directed by Filippo Crivelli with scenery by Emanuele Luzzati. The cast includes Fiorella Pediconi, Silvia Baleani, Daniel Washington and Osisvo di Credico (58 43 34).

SPAIN

Madrid, *Circulo de Bellas Artes*, Alcala 42. Ballet performances and workshop with Madrid Danza Contemporanea.

Madrid, Don Pasquale by Donizetti. Cast includes Enzo Dara, Enric Serra, Yoshihisa Yamaji, Enedina Lloris, Santiago Gerico. Scenery by Emilio Sagi, costumes by Julio Galan. Teatro de la Zarzuela. Jovellanos 4.

VIENNA

Staatsoper: Daphnis und Chloe; the Firebird; Rusalka conducted by Neumann with Benackova-Cap, Randova, Sasaki, Sima, Hintermeier (51 444/26 55).

Volksoper: Der Mantel; Der Bettelstudent; Hoffmann's Erzählungen; Der Opernball; *Die Csardasfürstin* (51 444/26 57).

NEW YORK

City Center: Paul Taylor Dance Company includes revivals of Dust, Images, Polaris, and Profiles along with a new work choreographed for the first time by Mr Taylor to Mozart. Ends May 17, 55th e. of 7th Av (246 8989).

New York City Opera: remains the same. Ends April 26.

WASHINGTON

Joffrey Ballet (Opera House): Mixed programme including Kettentanz, Round of Angels and Light Rain. Ends April 25. Kennedy Center (254 3770).

Washington Ballet (Eisenhower): The Third Stage, Unknown Territory and Fives included in the mixed repertory *ending April 25. Kennedy* Center (254 3670).

TOKYO

La Tragédie de Carmen: Peter Brook's renewed *original production.* The Peter Brook Company directed by Brook has been chosen to open Tokyo's newest theatre, the Ginza Saison. By eliminating the usual opera *fillers and distractions, concentrat*ing on the main characters and convincing acting and relegating the (conductor-less) orchestra offstage. Peter Brook's version ensures that *nothing interferes with the drama* and realism. In the five years during which this Carmen has been seen in Europe and the US, Japan has campaigned for its performance here. But Brook rejected every suggested venue. This unlikely modern theatre *was accepted because of its flexibili*ty. The newest cultural jewel of the Seibu Group is so deceptively converted into an arena space, complete with red sand floor and plain high walls that it has been made to look like Brook's Paris base, the *famed, gutted Théâtre des Bouffes.* Other innovations include the civilised 7.30 (8.00 at weekends) start and restaurants for after-theatre dining. Ginza Saison Theatre (535 0556; 980 6966).

Okinawan Classical Dance celebratory performances marking 15th anniversary of reversion to Japan of these southerly islands formerly known as the kingdom of Ryukyu. Okinawa possesses a vibrant and rich culture different from the mainland. In olden days artists receiving royal patronage ensured the preservation of these Ryukyu classical dances. Haiyuza Theatre, Roppongi (Wed, Thur). (237 9999).

Domingo at Wembley

Placido Domingo will give a concert at the Wembley Arena on Sunday, June 21.

The programme will include operatic arias, music from Spain, operetta and popular songs. Domingo, who is giving his services free, will be joined by the English Chamber Orchestra and supporting artists.

London Festival Orchestra to tour

The London Festival Orchestra with director Ross Pople is to leave for its South American tour on April 28, and will become the first British Orchestra to perform in Argentina since the Falklands War.

Backed by the British Council, the orchestra will perform in 11 cities in seven countries

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Politics of unemployment

THE GOVERNMENT is naturally delighted that the strong downward trend in the unemployment figures which first appeared last September has now been maintained for a sixth month, and appears to be accelerating. The Opposition is equally naturally trying to question the figures, and it has a good deal of learned support in its efforts.

Those who want to know how the economy is performing, or whether they or their children really have a better chance of finding a job, are distinctly short of apolitical information. Since the analysis is a bit laborious, it is worth stating a tentative conclusion at the start: the most recent trends are indeed encouraging, but the improvement over the past year seems strongly overstated.

The official figures in fact give some clear support to the Government's critics. They show that the employed labour force has risen by 176,000 in the past year. This is a very small growth in percentage terms—about two-thirds of 1 per cent—a reflection of the rise in productivity which is the bright side of the employment problem.

More significantly, the figure is almost the same as the growth of the working-age population, once allowance is made for the steady growth of the number of people with two jobs. On the face of it, one would expect that, if the working-age population and the working population grow by the same number, unemployment should be little changed.

Misleading claims

Yet the official figures show a fall of 156,000 in the year. There clearly is an element of optical illusion about the apparent improvement over the year—a considerable rise in the number of people who are neither working, nor classified as unemployed.

Before the Government's critics cry "Cheat" it must be pointed out that there are perfectly legitimate reasons for this. Manufacturing industry, which has achieved a productivity improvement of 6 per cent in the past year, is still shedding labour, and often does so through early retirement. There are good reasons, too, for tightening up on the rules of entitlement to benefit; and the growth of official schemes to help the unemployed to acquire new skills is a very positive step.

All these developments, which increase the numbers of people officially classified as retired, or in training, or not seeking work, reduce the unemployment numbers. It is as misleading for the Government to claim that such a fall reflects the better performance of the economy as it is for the Opposition to claim that better training and better administration are simply devices to massage the figures.

It was easier to make that charge against some of the Government's earlier changes in the methods of compiling the statistics; but the new methods have now been in place for some time, and do not affect the trend of recent months.

It can also be urged in the Government's defence that the rise in unemployment during its whole term of office is to some extent overstated in the official figures. The shift from manufacturing to services has created opportunities for women while it has destroyed them for men.

Many of the women now working were not previously part of the labour force; the proportion of the population of working age which would like to work—the participation rate — has risen strongly in recent years, and far outpaced the growth in employment. That is one reason why unemployment is so high.

Aging population

The other fact which stands out from the figures is that the future growth of manufacturing is unlikely to solve the problem, even on the most optimistic assumptions. Productivity is rising for a compelling reason: the necessity to remain competitive with the newly industrialised countries, where sophistication is rising fast and wages remain very low. British manufacture is booming at present, but labour is still being shed.

It is the growth of services which is still taking up the slack; but the rate at which it is doing so, even in an unusually buoyant period, is barely keeping up with the growth of the labour force. The improvements in training and the promised improvement in education will have an effect only in the very long run.

For the shorter term, the Government can either accept the advice of such friendly critics as the Confederation of British Industry, and strive to put some of the unemployed to work on worthwhile construction and maintenance projects; or it can wait for time to work a cure. That will happen in a few years even if the economy grows no faster, because the population will be growing older. There is a compelling case for more vigorous short-term measures.

Refugee camps in Hong Kong

REFUGEES FLEEING their homelands to seek sanctuary in more sympathetic surroundings are a social phenomenon as old as civilisation itself. Yet rarely can there have been a time when international hostility to the resettlement of refugees is as widespread as it is today.

This is due partly to a general confusion about refugees in particular and immigration in general, partly to widespread anxiety about competition for jobs and resources at a time of high unemployment in much of the developed free world.

A particularly delicate problem has arisen in the British Crown colony of Hong Kong where about 8,000 refugees, mainly Vietnamese, are held in closed camps. These camps are a blot on Britain's recent colonial record; as a rule only some criminals have their movement forcibly restrained for long periods, as well as those suffering from illnesses which require them to be restrained for their own or public safety.

Uncertain fate

But the situation in Hong Kong is exceptionally complex. First, the acceptance of Vietnamese refugees, who mainly arrive after long and dangerous passages in barely seaworthy boats, causes great local resentment among the Hong Kong Chinese.

Illegal refugees caught crossing into the overcrowded colony from China are promptly repatriated even if they have have close relatives legally settled in Hong Kong. This policy, however harsh, cannot be changed as the Government is in the sensitive transition period leading up to the return of Hong Kong to Chinese control in 1997.

Second, it is far from clear how many of the Vietnamese are political rather than economic refugees, fleeing not an oppressive political climate but one of the world's least successful economies.

It is impossible to be sure about the political situation within Vietnam. The idea of repatriation to an uncertain fate of refugees who have risked their lives to get out would be a bad solution and unacceptable to international opinion. It is not comparable to US border patrols sending economic refugees back to Mexico.

Nor is it acceptable to keep refugees cooped up in detention camps for periods which grow longer as the free world's doors increasingly slam shut to foreigners. Some young children in these camps have known no other life. They are growing up in an atmosphere of adult idleness and despair, in marked contrast to their countrymen who have been resettled and have usually proved themselves diligent, industrious and economically self-reliant.

Better chance

Britain needs to take the lead in solving this particular problem once and for all and to abandon the forlorn hope that the camps' existence will act as a deterrent to future refugees.

There is no better time for an initiative than the start of the new governor's administration. Sir David Wilson, sworn in earlier this month as the colony's 27th governor, has many delicate problems to tackle without the refugee camps.

The British Government in London should accept a substantial number of the camps' residents this year—say at least a quarter. But before making any announcement it should use its best offices to persuade other friendly nations, inside and outside the EEC, to support Britain's lead by each taking a significant but smaller number of refugees. The US, Canada and Australia, which have been consistently generous in their acceptance of these refugees, could presumably be relied on to take some more.

In this way the stain of the camps could be removed quickly and new arrivals would have a better chance of being resettled quickly. The British Government and Sir David should then together resolve that the camps will never again be allowed to become anything other than short-stay transit stations, with the rate of resettlement consistently more or less matching the 150 or so arrivals a month.

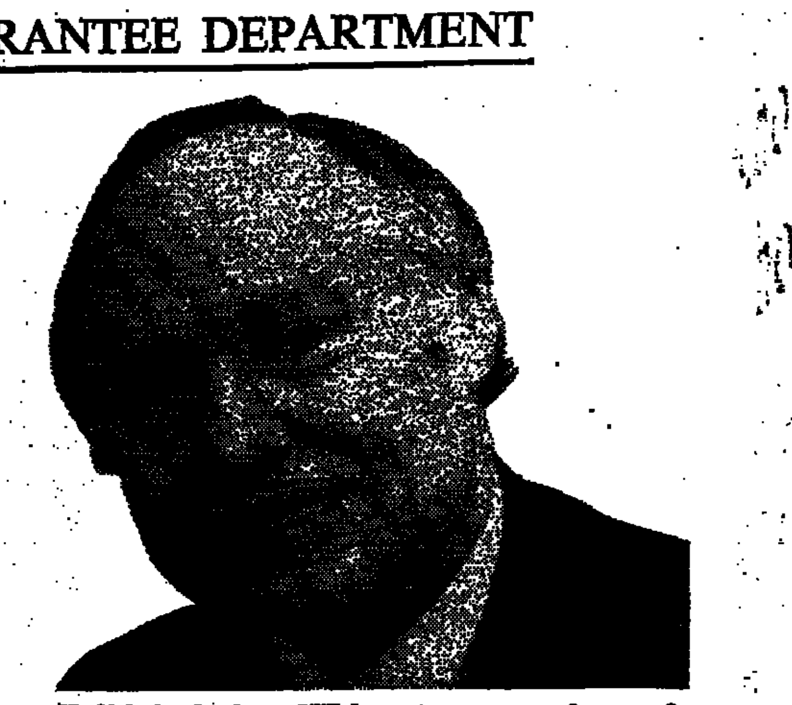
BRITAIN'S EXPORT CREDITS GUARANTEE DEPARTMENT

ECGD'S PERFORMANCE AT A GLANCE

GUARANTEED

Financial year	Total business insured £m	Percentage of UK non-oil exports insured %	Premium income £m	Claims paid £m	Recoveries £m	Reserves £m	Amounts at risk* £m
1976/77	11,728	38.2	93.8	63.1	27.1	342.8	14,362
1977/78	12,940	35.7	102.8	94.2	26.7	389.6	15,339
1978/79	14,515	35.5	108.0	133.6	43.7	466.9	15,825
1979/80	16,235	33.5	151.8	263.8	98.6	491.7	17,985
1980/81	17,048	35.3	152.0	290.5	80.6	500.9	19,300
1981/82	17,502	32.1	238.3	308.5	79.7	668.4	25,530
1982/83	19,090	33.9	344.2	584.1	103.6	862.5	32,022
1983/84	17,706	29.6	166.9	674.3	132.7	610.3	32,129
1984/85	17,122	25.3	166.3	848.9	327.3	400.3	32,096
1985/86	15,672	23.3	175.5	697.5	202.8	456.7	27,665

* Unexpired risks in respect of premium income up to March 31.


Mr Malcolm Stephens: Will he restore a sense of purpose?

Time to cut its losses

By Peter Montagnon

A NEW phase in the history of Britain's troubled Export Credits Guarantee Department (ECGD) opens today when Mr Malcolm Stephens, who has been head of export finance at Barclays Bank for the last five years, takes over as chief executive.

The first outsider to be appointed to the top job at Britain's official export insurer, he is taking over the reins at a time of growing losses and shrinking market share.

Hopes are riding high that Mr Stephens will be able to reverse both these trends. Yet exporters and bankers say he faces an uphill struggle as politicians and government officials tussle over the department's future.

In one sense, the problems facing the ECGD are no more than those facing many state-run institutions compelled to cut their costs during the Thatcher era. But in the ECGD's case, the difficulties have been more acute because of the tough market in which it has had to operate.

Founded in 1919, its role has always been to support British exporters through the provision of insurance services guaranteeing that they will be paid for what they sell. The service can also provide extension of guarantees on bank loans taken out by exporters or their customers. The ECGD charges a premium that is the basis of its income.

Since before the war the ECGD has lived with an unwritten rule that it must operate at no net cost to the Exchequer. Until a few years ago it managed to meet this objective, but now, in the backwash of the world debt crisis, its losses have soared, provoking fierce debate about its future.

The department has forecast that its accumulated borrowing from central government will hit £3bn by the end of the decade. At the same time the share of Britain's non-oil exports which it insures fell to just 23.3 per cent as of March last year, compared with 38.2 per cent 10 years ago.

The ECGD claims that the worst in terms of losses is now over. Most of its old bad business is exposed as such and business entered into in the last couple of years should be made to pay its way. Under pressure from the Government, it has begun to adopt a more commercial approach to business in an attempt to rebuild its market share. "The old 'take-it-or-leave-it' approach has gone," a spokesman says, and a range of new insurance products is being considered.

Yet exporters complain that the ECGD is still slow to respond to their needs, rigid in applying its insurance guide lines and too cautious about providing cover for difficult markets.

There is a vicious circle, says one industrialist. As government pressure mounts for the department to cover its costs, its premiums rise for good markets as well as bad, the ECGD becomes uncompetitive, the market shrinks and premiums have to rise again.

Bankers and exporters say the key to success for Mr Stephens will lie in his ability to convince government that this inherent conflict cannot be resolved. If it is to fulfil its officially-mandated role as a supporter of British exports, it cannot always pay its way. If it is to pay its way, the profits from good business can no longer be expected to cover the losses incurred when it is forced to enter bad markets, at the behest of government, because the private sector will not touch them.

Mr Jack Gill, the laconic Lancastrian who retired at the end of March after a four-year stint as ECGD chief executive, has been described in the export finance market as competent and sympathetic but lacking in the leadership necessary to resolve this dilemma.

Many acknowledge, however, that Mr Gill, a career civil servant, faced a very difficult task.

"Jack was put in an impossible position at a time when all the problems were coming out of the woodwork," says Mr Campbell Dunford, chairman of the British Export Houses Association. "Morale was crumbling; the department was under investigation by government departments that hitherto had shown no interest; the department was being ridden roughshod over by the Treasury. He has done a damage limitation job very effectively."

The question now is whether Mr Stephens, 49, will fare much better in restoring a sense of purpose to an organisation that for many years has suffered from a sense of drift. In his favour are two important factors. The first is that his appointment, announced in March, came with the Prime Minister's blessing. The second is that, although he comes from outside the organisation, he did work for it for 17 years before going to Barclays and he knows the business of export finance well.

To some degree the groundwork has been done.

Under Mr Gill, the department was already working on innovations that would mark an important break with tradition. Among these is the idea that, for a premium commensurate with the risk, the ECGD would begin to offer selected exporters, in certain markets, long-term insurance cover which would stay in place however economic circumstances changed.

It is also looking at new ways of sharing credit risks with commercial banks on the loans it guarantees. And, for the first time, it is considering branching out into new forms of financial instrument, offering guarantees on commercial bank letters of credit as well as loans that are discounted on the growing *a forfait* market, which trades in fixed rate export credits.

Exporters say Mr Stephens, who has been unwilling to comment publicly in any detail on his plans for the ECGD, believes the department should build on this to become a vigorous competitor with the private sector export insurance market, centred on Lloyd's, to which it has lost business in recent years. Not only must it win back this business, it must also create new opportunities for itself in export insurance.

This means much more aggressive marketing as well as tailoring products to gain fresh business.

Traditionally the ECGD adopted the so-called "total turnover" approach to export insurance, whereby it insisted on providing cover for a company's entire export turnover anywhere in the world. That meant premium rates were high because they had to cover bad risks as well as good. Companies whose export business was mainly with low-risk clients drifted away to the private sector, where charges were lower.

To counter this the ECGD has already been talking to some companies, such as the Rover car group, about tailored policies at flexible premium rates but the problem still lies in getting the right mix of premium income and insurance portfolio risk.

Competition with the private market will inevitably compress the premiums the ECGD can charge. Mr Stephens apparently believes that it is all right if the business is profitable in its own right but not if premium income is also expected to cover losses in difficult markets, which the ECGD is forced to enter.

According to Mr Stephen Syrett, head of export finance at Morgan Grenfell, the ECGD could learn from some of the Continental export credit agencies, such as NCM in Holland and Hermes in Germany, which operate as private insurers who simply reinsure some of their lower quality risks with government.

But this system sits badly on an institution that remains constitutionally an arm of government. Mr Stephens is, however, expected to insist that ministers acknowledge the consequences of forcing the ECGD to provide insurance cover on non-commercial terms as part of the strategic support it is expected to provide for British exports.

Beyond that, many bankers believe that the department should do more to co-operate with the international capital markets to make cheap finance available to exporters.

For its medium-term credit business, the ECGD is considered to be too keen on a conventional approach, whereby it will only lend its guarantee to operations that carry a fixed rate of interest, established by international consensus under the Organisation for Economic Co-operation and Development (OECD). But OECD rates are not always the cheapest available for companies doing business in low-risk markets like North America.

The best result would be achieved if, as is sometimes the case in Italian export finance, the ECGD would allow its guarantee to be attached to loans at free-market rates of interest.

"For a number of clients selling to countries like Malaysia, India and China, we already say 'don't assume that (official) export credits are necessarily the cheapest route,'" says Mr Syrett. But if the decision is to do without such official export credit finance, then the result is premium income lost to the ECGD.

A new accent on flexibility implies, however, a major cultural change for the department. Unlike their counterparts in commercial banks, ECGD officials have little incentive to perform. Often underpaid, they have no specific reason to remain in the office late at night to try to solve a problem.

To change all this, Mr Alan Clark, Trade Minister, says he would not mind if the ECGD switched to a system of performance-linked pay, although that would surely meet objections from the civil service establishment. Even if such a battle were fought and won, Mr Stephens could face another problem. It is no secret that some of the senior staff within the organisation may resent his appointment—and not just because he was able to negotiate a larger salary than the £43,500 at which the job was originally advertised. The appointment of an outsider has blocked inside promotion and that may make some of them less willing to play along.

The problems facing the ECGD are not unique. All export credit agencies have suffered from the recession and are having to look at ways to adapt. But in Britain, where the figures are more transparent than in other countries and where the accent has been on cutting cost to government, the anguish has been more public than anywhere else. And it is in his relations with government that Mr Stephens could encounter the most difficulty.

According to Mr Clark, the Department of Trade and Industry is reasonably sympathetic. "I expect Mr Stephens to continue with measures towards making the ECGD more efficient. I don't expect him to do any more than serve the disciplines which are imposed by its objective to try and break even. We need the ECGD because there are parts that the private sector simply won't touch."

By contrast, relations with the Treasury could be rough. "The Chancellor does not understand the export business," says Mr Dunford, who complains that the Treasury is too concerned with the year-on-year results and does not understand that the insurance business requires a longer-term horizon.

In some parts of the export world the suspicion lingers that the Treasury was not entirely happy with Mr Stephens's appointment. It would have preferred a hatchet man, rather than an executive whose aim was to build up the organisation.

"The question is," concludes Mr Syrett, "can the basic criteria be changed? That's Mr Stephens's battle. If he fails, it'll have a profound effect."

The vicious circle: pressure mounts to cover costs, premiums rise, the ECGD becomes uncompetitive, the market shrinks, premiums have to rise again

Men and Matters

Barclays banks at dawn

Bankers like to boast that international finance has become a 24-hours-a-day business, thanks to technology and market link-ups.

But while Barclays has been putting together its pioneering international share issue it has also found that such a project can create unusual problems—quite apart from institutions grumbling in London at the size of the offering.

Barclays intends to sell about £100m worth of shares in Tokyo, and as much again in New York. But to comply with the rules of the London, Tokyo, and New York, stock exchanges, it had to announce the issues when all three markets were closed.

"As you can imagine, there are very few moments of the day when you can do this sort of thing," says Humphrey Norrington, the executive director of overseas operations, who is master-minding the deal from London.

The biggest "window" occurs between the closure of New York and the opening of Tokyo. But that is in the middle of the night in London. Instead, Barclays opted for the shorter gap between the closure of Tokyo and the opening of London — around the British breakfast time.

After the Tokyo market shut, Barclays filed the documents with the Japanese authorities at 5.30 pm local time, and then raced to get the announcement out in London at about 8.45 am local time before the market opened at 9 am.

It all worked well. But that is only half the job.

Barclays will have to go through the whole exercise again in a month's time to price the deal. Again, this will be done as the Tokyo market shuts so that the news is ready for the start of trading in London.

Small wonder that Norrington says getting the deal together has at times been "murderous."

"We're trying to set up a Perfectly Ordinary Section within the Labour Party"

Homely stamp

One of the island of Jersey's many resident millionaires has been singled out for special recognition.

His new house is featured on a stamp being issued by the island authorities this week.

As one of three stamp designs for the Europa 87 modern art and architecture theme Jersey has chosen the futuristic home built at a cost of £1.5m by Ron Hickman.

Hickman reached millionaire status by inventing the enormously successful Black and Decker Workmate bench (sales now topping 20m).

He retired to Jersey with his wife Helen ten years ago, and proceeded to put every gadget that his fertile mind could conceive into his "house for our time," called Villa Devereux.

Roofs running from the apex right down to the ground mask the true size of the house. It has 20,000 sq ft of floor space with three storeys on one side and four storeys on the other.

Inside it is full of automated heating, lighting, and labour-saving wizardry—even a fault-reporting board in the kitchen to show by lights or buzzers when anything is going wrong.

There are no door keys, only electronic combination locks. Little refinements include a 30 ft wide windscreen wiper to clean a sloping glass roof over the swimming pool, a golf putting green with flags that pop up at the touch of a button, a built-in access tunnel for the family cats, and a press-button daily order screen for the milkman.

Now that there is little or nothing more he can do to the house, Hickman has been amusing himself designing a new road system for Jersey's capital St Helier, which he is offering to the authorities.

Fat cats

Jaguar is to repay a debt to nature by earmarking some of its profits to the jungle cat from which it has taken its name.

Together with its US and Canadian subsidiaries the British carmaker will donate £50,000 over the next three years to help the World Wildlife Fund set up the world's first jaguar preserve in the central American country of Belize.

Commercial logging has destroyed much of the jaguar's natural habitat in south and central America. The 150-square-mile Cockscomb reserve in Belize, which will be developed with the car firm's help, has the highest-known concentration of jaguars in that country.

The World Wildlife Fund's US and Canadian branches now hope to persuade other car makers to help conserve the animals and birds after which their models are named. The cougar, fox, and eagle are among species which stand to benefit.

After Sinclair

Paul Weston, an engineer and a member of the Institution of Electrical Engineers, tells me he is making good use of some of the redundant stocks of Sinclair C5 electric vehicle parts held by Hoover and others since the car's disastrous debut.

He is incorporating them into what he claims to be, "the cheapest motorised transport in the world."

Weston has invented an electrically-assisted bicycle in which key parts—the motor, gearbox, and an extra wheel to support the weight of a 12-volt battery—all originataed in the C5.

He claims his propulsion system will fit on any bicycle without upsetting its handling characteristics, because of the ingenious way the small third wheel follows the rear wheel. It is hinged and simply leans into the corners.

He talks of a range of ten miles for a fully-charged battery, and a top speed of 13.5 miles an hour.

His new company, Weston Developments, of New Milton, Hampshire, is selling direct to bicycle shops at £175 a unit.

Twist and shout

When Tom Clohesy of Shearson Lehman arrives in London from New York next month to set up a public relations department, his task, the US investment bank explains in its house journal, will be to "turn news around and shape it to our liking."

Also to "cultivate and educate the Press so that they look favourably upon us."

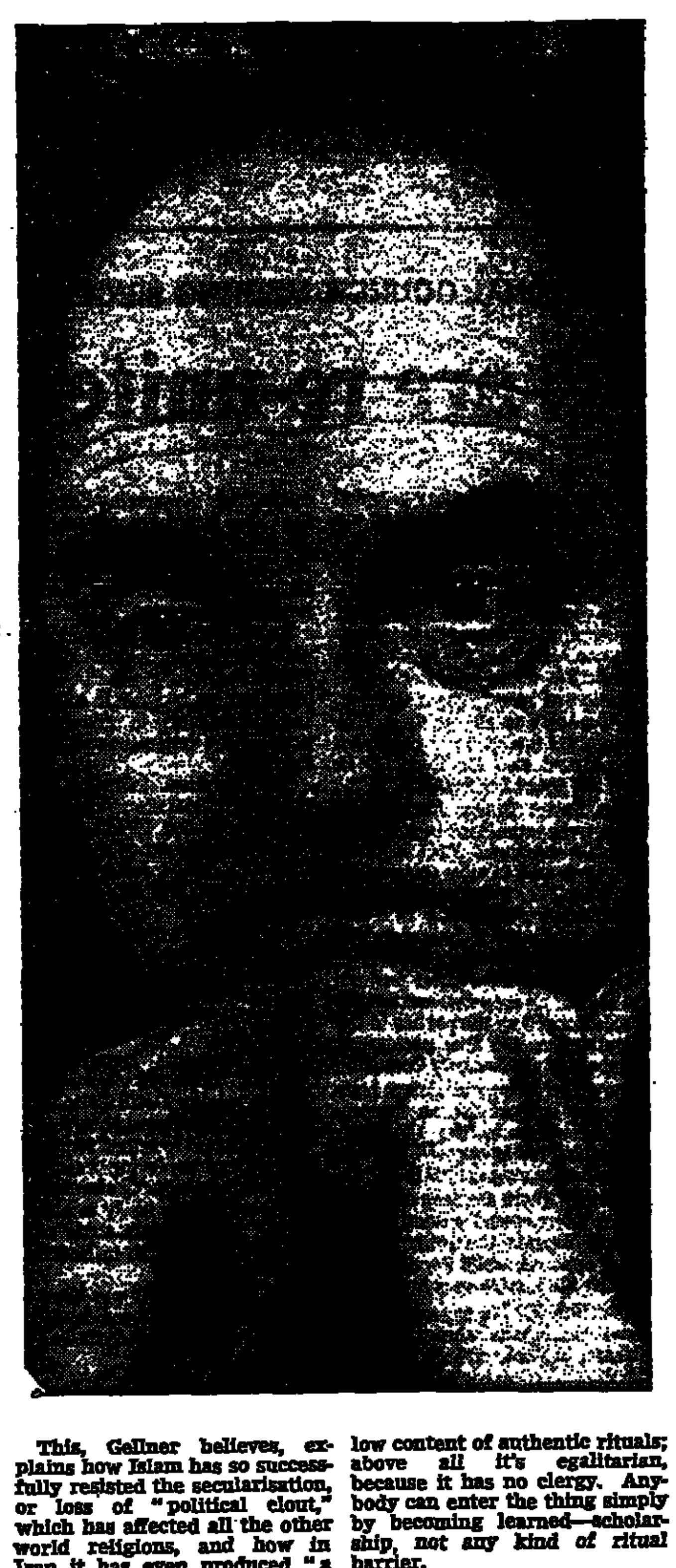
I suppose we should be grateful for the early warning.

Observer

INTERVIEW

Edward Mortimer talks to Ernest Gellner, interpreter of the Islamic world

Scholar of the holy war



FOR NEARLY a decade the West has been baffled by the phenomenon of resurgent Islam. How has this one religion been able to reassert itself so spectacularly and uncompromisingly in politics in an age which elsewhere has witnessed a decline both in personal religious belief and in the role played by religious ideas and institutions in society at large?

The question is so often asked that it seems surprising more attention has not been paid to the ideas of one British scholar who actually thinks he has the answer. Ernest Gellner is probably still more widely thought of as a philosopher — author of the classic attack on Oxford linguistic philosophy, Words and Things — than as an anthropologist (though he *now holds the chair* at Cambridge) or as belonging to the sociology department (which he did for 30 years at the London School of Economics).

In fact, he claims always to have thought of these three subjects as essentially one.

"It *is true*," he wrote in Words and Things nearly 30 years ago, "that the contemporary development of specialised sciences often . . . disqualifies non-specialists from interfering in substantive issues . . . [But] there are ample fields where the technicalities are not so developed, and where people with a penchant and ability for thinking can be useful."

Gellner is, *par excellence*, a person "with a penchant and ability for thinking" and is unrepentant in his belief that thinking "can be useful." The thrust of his attack on linguistic philosophy was that he saw it as a retreat from the philosopher's historic role of asking, and attempting to answer, fundamental questions about the world. As he readily admits now, "Words and Things is an entirely negative book" the purpose of which was to demonstrate "that the Wittgensteinian romantic claustrophilia is wrong. It's wrong as a sociology; it's wrong as a philosophy. It's no use saying that each form of life, each language or culture sets its own norms and that's it."

Still in his early thirties, as a teacher in a sociology department who was doing research for a PhD in anthropology, Gellner took it upon himself to challenge the prevailing philosophical orthodoxy of the day. But he found a crucial ally.

"I'd written one or two articles on those lines, and out of these I got an invitation from Bertrand Russell to come to tea. I saw him a few times and he wrote an introduction to it . . . and Victor Gollancz asked to publish the book. And of course when Gilbert Ryle [one of the leading Oxford philosophers of the day] got tight and said he wasn't going to review it, and wrote to Victor Gollancz initially *saying so*, Victor Gollancz, who was a genius for publicity, immediately rang up Bertrand Russell in Wales and said: 'You must write a letter to The Times about it.' And so I got famous by this series of accidents."

But if Gellner believes philosophy should have something to say about the world, he thinks the same about anthropology. From his detailed fieldwork in Morocco—published in 1969 as Saints of the Atlas—he has sought to extrapolate "a general theory of how Islam functions."

Derived in part from the great medieval North African writer Ibn Khaldun, this theory holds that traditional Islamic society was governed by a perpetual interaction between urban and nomadic culture. In the towns, the faith was defined by the *ulama* (men of learning) and based firmly on the unity of God and the supremacy of the law. Among the nomadic tribes it was based on veneration for local saints who acted as mediators in tribal feuds and arbiters of tribal custom. Yet the tribesmen were vaguely aware that the scholarly version of Islam was "purer" and more authentic.

The tribes themselves formed a "segmentary" society, with no state as such, each tribesman relying on the solidarity of his kin-group for protection. The towns by contrast needed strong government, both to maintain internal order and to *protect them* against the tribes; and this was provided by dynasties of tribal origin—"wolves turned sheepdogs." But *the dynasties* were gradually softened by urban life, and when they became too inefficient and/or oppressive they *fell victim* to a new invasion of nomads, inspired by an "exceptional preacher" who denounced "all at once, the laxity and backsliding at the centre, the ignorance of the tribesmen and the heterodoxy of the normal, petty, humdrum, religious attendants."

But, says Gellner, with the arrival of the modern age "the swinging pendulum becomes unhinged." Modernity "means, first of all, effective centralisation and so the end or decline of tribalism," and with it comes a definitive victory of the urban "scripturalist" version of Islam over the "tribal and saintly" one. This scripturalist or "fundamentalist" Islam is, it turns out, peculiarly well suited to "the social and political needs of the period of industrialisation or development . . . a *period* which calls for much discipline and self-sacrifice, for self-discipline above all, and for orderliness and literacy, the obedience to abstract rules, imposed by central and, as it were, disembodied authority."

This, Gellner believes, explains how Islam has so successfully resisted the secularisation, or loss of "political clout," which has affected all the other world religions, and how in Iran it has even produced "a successful revolution against a regime which was stinking with money and had a totally undefeated, well-drilled and well-equipped army—an extraordinary achievement which has upset *all the theories of revolution*." Islam, he points out, has "a low content of magic and absurd beliefs; it's got a low content of authentic rituals; above *all* it's egalitarian, because it has no clergy. Anybody can enter the thing simply by becoming learned—scholarship, not *any* kind *of ritual* barrier.

"Islam is modernisable, or rather the old Islam is highly *compatible with modern society*, with a kind of repudiation of rustic superstition and all the rest of it. In fact it's of its essence. At the same time it's genuinely local. So you're spared this painful dilemma: either spitting at your own past and being a westerniser, or inventing spurious local traditions and idealising the moujik" (like Tolstoy), at the price of economic and military weakness.

Does all this help us in the West know how to respond to, or cope with, the militancy we encounter in the Islamic world? "Well, I think it's always better to understand than not to understand, but no — not at a sort of micro-level. I don't *think you can* deduce from this understanding whether or not you should bomb Benghazi or Tripoli, or whether you should land in Beirut.

So do we have to accept Ayatollah Khomeini—to choose an obvious example — as the very *model of a* modern political leader? "Well, he is and he isn't. I mean obviously personally he isn't." Yet Gellner *does see Khomeini as* modernising Shiism by making it more like Sunni Islam—downplaying its personal and mystical elements, *emphasising the rule* of law (divine, not man-made, of course), even making Iran a republic.

But, I object, is there nothing unmodern about cutting off hands and other such provisions of the "divine" law?

"Oh," he replies disconcertingly, "that's all right. I mean, it's not nice, but that in itself—I don't think there's anything unmodern about it." Under pressure to make a valued judgement, he admits to feeling "the usual gut reaction that anybody else has," and that in the last resort he would prefer the Shah's régime to Khomeini's simply because "far fewer people were killed and tortured." But, he *insists*, his personal feelings on the subject are "not terribly interesting — I just try to understand."

Then *should* Islam be regarded as an expansionist force or not? "Well, they're certainly trying—spending a lot of money—but there's no evidence, except in Black Africa, that they're having any success. Within Islam the puritanical wing is probably spreading, but I shouldn't have thought the heartland Moslem states are genuinely expansionist."

My reluctance to accept the equation of Islam and modernity reminds him of the outrage he once provoked by expounding the same thesis to the Hindu audience in *Jaipur*. "They were outraged, because they thought I was saying, when I say 'Islam is modern,' that *Islam is* a *version of the* enlightenment. Well, I don't say that. It's theoretic, rigid—all those things. But the enlightenment was a *kind of optimistic* forecast of what modernity would be. If you take an icy, cold-eyed view of what modernity is, what it requires isn't necessarily what the enlightenment people would have personally liked."

> **● PERSONAL FILE**
>
> **1925** Born Paris of Czech-Jewish parents; educated Prague English Grammar School
> **1939** Arrived in England
> **1943-4, 1946-7** Read PPE at Balliol Oxford
> **1944-6** Served in Czech Armoured Brigade
> **1949-79** Taught in LSE sociology department
> **1954** Began anthropological fieldwork, Morocco
> **1962** Professor of Philosophy at LSE
> **1984** Professor of Anthropology, Cambridge

Lombard

When nanny knows best

By Joe Rogaly

GOVERNMENT CAN be good for your health. Keep this unlikely proposition in mind as you brace yourself for the next great Listen to Nanny campaign, which is due to start later this week. No, it will not be about AIDS, since that was winter's warning. For spring we are to get Look After Your Heart, which means that we will be back in the comfortable, familiar territory of not smoking too much, eating less of the things we like, and taking more exercise.

Do not be deceived by the tone of my remarks. It is a response to the growing blather against people labelled foodies and others who point out that the ingestion of substance A *is* more likely to be harmful than the guzzling of substance B. Such people are at least as well-meaning as anyone who cries "look out" in time to prevent you from stepping in front of a speeding truck. If I have a *criticism of the Government* in this area, it is that it fails to warn us enough. Individualism is not omnipotent: human beings will always depend upon one another to some degree.

The Office of Health Economics, which is financed by the *pharmaceutical industry* and is not representative of muddle-minded do-gooders, is so concerned about coronary heart disease (CHD) that it issued a new booklet on the subject last week, prefacing its remarks with the observation that while the spotlight had fallen upon AIDS, "CHD remains the nation's most substantial contemporary health care problem." It certainly is. It accounts for 28 per cent of all deaths in England and Wales. For middle-aged men it is worse: some 40 per cent of the fatalities among men aged 45 to 64 are due to coronaries.

This kind of statistic puts AIDS in perspective. It probably costs close to £400m a year for the NHS to treat victims of CHD. The office of Health Economics calculates that the same amount of money would treat 35 times the number of AIDS cases reported since 1982. Even if people fail to take notice of all the warnings the growth in AIDS cases is hardly likely to reach CHD proportions. As it happens, the available evidence suggests that the warnings are having an effect, and that the scourge of AIDS may in the end be confined mainly (although by no means completely) to the well-known highly vulnerable groups.

Nanny's admonitions have had some effect on the incidence of CHD in Britain. Since 1978 mortality rates have declined in all age groups below 65. But there has been a far more dramatic decline in the US, where the foodies and other faddists have been taken much *more seriously*. In 1968 the CHD mortality rate per 100,000 men aged 55 to 64 was 898.1 in England and Wales, and nearly half again as high—960.9—in the US. By 1983 the figure over here was down to 682.4 — but over there it had dropped much further, to 588.7. The same pattern applies to other age groups in both countries.

Another OHE-supplied table shows Northern Ireland as the worst of 27 countries ranked according to heart disease deaths, with Scotland the third-worst and England and Wales fifth-worst. Japan comes out best, of course, and France second-best.

There seems little doubt that Britain is worst-off because it is so stubbornly resistant to change. This is not universal. The *upper classes smoke* the fewest cigarettes; unskilled manual workers the most. There is an almost uncanny fit *between* the graph relating smoking to class and the one that plots standard CHD mortality ratios (social class 1 is hit the least; social class V the most). The other determinants, such as diet and hypertension, are well-documented. The likely response from the Government is a series of health-education programmes. Its efforts should be judged by the amount of energy and perseverance put into them. Simply sneering at nanny is an insufficient response.

Letters to the Editor

Actuaries, politicians and the ordinary man

From Mr H. Wynne-Griffith

Sir, — I am an actuary, and I found the tone of the leader (April 9) to be harsh and offensive to my profession. The impression was given that the *chaos and confusion caused by* this Government and its predecessors in what should be a simple world of pension provision was *in some way the fault* of actuaries, and that expensive actuarial advice would be necessary in order to resolve the difficulties.

The difficulties are the creation of laymen tackling technical problems because they think that, despite their being amateurs, they can nevertheless do as good a job as a professional. As a result, we have at the moment three government departments *pulling* in *different* directions, each one claiming to represent the interests of the ordinary man.

This confusion creates an artificial world of legislation into which that poor man is plunged and must seek such advice as he can from wherever he can get it. If that advice is expensive it is because there are few people with the necessary training and expertise to provide it. This is not the fault of *actuaries*, this is the fault of governments creating such an unnecessarily complicated world.

Your leader would be better directed at politicians being required to plan better their legislation than at those whose function it is to assist people in interpreting its consequences.

H. R. Wynne-Griffith,
3 Dulwich Wood Avenue SE19.

Profit sharing and NI

From the Director of the Industrial Participation Association

Sir,—I would like to support the CBI in taking up the case against removing exemption from National Insurance contributions for all profit-sharing bonuses. This association has for many years encouraged the growth of profit-sharing schemes, and has assisted many companies in establishing such schemes.

The exemption was originally introduced because these payments were not regarded *as* constituting any part of the employees' earnings. We recognise that abuses must be prevented, but *this* is no reason to clobber all those well-established *schemes* with a blanket approach.

On the one *hand*, the Chancellor is encouraging the spread of profit-related pay by tax concessions; and at the same time *the Treasury is proposing* to withdraw what are in effect tax concessions from well-established working profit-*sharing schemes*. It does not make sense.

We urge the Social Security Advisory Committee to adopt *the solution proposed by the* CBI of continuing the exemption for all discretionary trusts set up before the abolition of the upper earnings limit in 1985.

B. C. Stevens.
Industrial Participation Assn.
85 Tooley St, SE1.

Local taxation of cars

From Mr J. de Rivaz

Sir,—I refer to Mr A. H. All*sopp's letter (April 10)* about adding to the burden of car tax to fund local authorities.

I am opposed to all standing charges, and prefer a system of pay as you consume. Therefore his otherwise excellent proposals may be better met by allowing *local* authorities to make *a* levy on petrol and diesel sales. This would mean that a person who is forced to own a car by the *absence of public transport* yet uses it infrequently is not penalised.

J. de Rivaz,
West Towan House,
Porthtowan,
Truro,
Cornwall.

Control of education

From Dr Peter Mitchell

Sir, — My experiences of teaching and scientific research inside and outside the university system confirm the view *of* Professor Robert Harkness (April 7), that control by a central University Funding Council would probably do more harm than good to education and research.

If I had allowed my research decisions to be swayed by the central authorities in the 1960s, *instead* of establishing an independent charitable foundation with its own research institute — where the work could be pursued by those most closely in touch with events at the frontiers of knowledge — it is very unlikely that the results would have merited the Nobel Prize for Chemistry in 1978.

I agree with Professor Harkness that what we really need is to support groups of intelligent and responsible people personally concerned with the development of new knowledge, and let them seize the subtle opportunities for progress about which the central authorities are hardly likely to be aware. But central funding tends to mean central control. To do what Professor Harkness suggests, we need more independent foundations, like the one from which I write, which have the expertise to manage a very cost-effective channelling of *funds*, provided by public-spirited people and organisations, into valuable scientific knowledge and understanding.

Peter Mitchell.
Director of the Glynn Research Foundation.
Glynn Research Institute,
Bodmin, Cornwall.

The application of genetic engineering to milk production

From Professor Allan Buckwell,

Sir,—I am intrigued by the issues raised by the use of Bovine Somatotrophin (BSt), some of which were discussed by John Cherrington in his article (April 7). It may be of interest to your readers to clarify one or two aspects of BSt and its use in milk production.

BSt is potentially the first large scale application of the fruits of genetic engineering to animal production. In contrast to the *steroid* hormones which have been banned in beef production in the EEC, BSt is a species-specific protein.

It has been *discovered* to be inactive in humans, having been used, without success, to try to treat dwarfism in children. In *addition*, as a *protein*, if ingested it will be broken down into its component amino acids by the digestive system. Third, the active "life" of BSt *injected* into an animal is extremely short, a matter of hours.

These are the fundamentals *justifying* the *claims that*, should injected BSt find its way into milk at concentrations over and above the naturally occurring levels, it poses no danger to the consumer.

As to its economic impact in the context of milk sales quotas, there are two potential advantages to the milk producer. One is that, with BSt, a given literage of milk may be produced at lower cost. This is because it is secreted by fewer cows which, therefore, in total have a lower maintenance feed requirement. Second, the fewer cows will require less labour, capital and land which can, in *principle*, be *devoted* to other productive uses. If neither of these factors provides sufficient economic inducement then there *is no compulsion for* the farmer to adopt BSt, hence he does not suffer.

It is no longer possible to argue that non-adopters will be hurt because the additional production of adopters drives down the price for all. First, there is no additional production under a well regulated quota system. Second, there is no automatic reduction in price in circumstances like today where the price of milk is a political instrument with little to do with cost of milk production.

Confusingly, your correspondent goes on to link BSt with possible moves to limit the use of mineral nitrogen fertiliser. Whether BSt is more or less profitable in circumstances where nitrogen use has been limited, presumably pushing up the production costs per tonne of both forage and cereals, is a complicated question. It certainly needs rather more careful analysis than John Cherrington suggests.

The most important issue raised by the emergence of BSt is whether we are going to turn our backs on the potential cost reductions offered by biotechnology because of our unwillingness to accept the farm sector adjustments it requires.

If, as I suspect, we continue *to throw unjustifiable regulatory* spanners into the engine of technical progress in agriculture we will increasingly penalise consumers in this country and create trade barriers against the rest of the world.

Allan Buckwell.
Professor of Agricultural Economics,
Wye College,
University of London,
Wye,
Ashford,
Kent.

FINANCIAL TIMES
Tuesday April 21 1987

Paul Hannon on Wall Street

Clouds on horizon for art houses

THE RICH, seriously rich and the obscenely rich – these are the only three categories of people that are playing the highly charged and very expensive art market in the US.

Some of the spoils of last year's takeover activity in the US found their way into the vastly inflated world of art where most people know the price of everything and the value of nothing.

But there are clouds on the horizon and a post-Boesky reaction to the public acceptability (and probable success) of much of Wall Street's seamier side of business is not far away. As takeover and bid battles change in structure and nature, the potential spoils available to boost the already inflated prices of many New York art houses will inevitably diminish.

The heady fourth-quarter of 1986 saw a rush of takeover deals trying to beat an end-of-year tax deadline, and prices at many art auctions surged as more businessmen attempted to channel their winnings into art as a straightforward investment or as a social entree.

New York now boasts a "power house" of about 50 influential collectors that can make or break an artist's reputation and his/her bank balance. Many of these art patrons have day-to-day contact with the business community emulating a former generation of "robber barons" that concentrated on building up collections during their retirement years.

Mr Charles Saatchi is at the top of this diverse elite. A long-term devotee of the art world, his company now offers advertising and professional services to more than 200 of the Fortune 500 companies. If anyone has been able to put spare cash into art because of the largest takeover sprees in US history, it is Charles Saatchi.

The litany of other serious art collectors who might not bat an eyelid at spending several million dollars on a painting includes such household names (in America at least) as Alfred Taubman, the shopping centre developer, Henry Kravis, the leveraged buyout specialist, Asher Edelman, the legendary Wall Street arbitrageur, and Saul Steinberg, the corporate raider.

Much of the art market support has stemmed from Wall Street and when the stock market turns down, prices of paintings are likely to stall briefly before plummeting. There is a growing suspicion that things cannot continue at current levels. For the moment, however, the tone is confident.

It is quite common for a small group of Wall Street whizz kids to head after work to one of the burgeoning art galleries touting the premier exhibition of the latest discovery. Mingling over cocktails and watercolours, money is spent and it is seen to be spent.

On an institutional level, the art market still has the Getty Museum which must spend an average of $3m per week if it is to comply with Inland Revenue Service trust regulations. Although the New York Metropolitan's $2m annual acquisitions budget (boosted to $8m by private donations), is miniscule in comparison, recent auction performances suggest that the more traditional notion of public museums being the respository of works of art is under threat.

Another factor increasingly cited in the long-term growth of the US art market is the approaching middle age (normally considered the prime art collecting age) of the country's baby boom generation.

In 1979, Citibank established its art advisory service which caters for wealthy private collectors, who are reportedly prepared to spend at least $1m a year on art purchases.

Some investors, however, are discovering that art for art's sake might be the most sensible dictum after all. A number of financially distressed southern oil men, squeezed by falling crude oil prices, have had to offload costly works of art at bargain basement prices to stay solvent. Others have discovered too late that the top prices they paid were for second-grade works by lesser known artists.

The rich rewards of Wall Street may not be as plentiful as before. The merger boom has shifted its emphasis. Oil and gas restructuring and takeovers – which generate huge fees and profits – are waning, as more banks, spurred on by the easing of interstate banking regulations, are featuring in the merger news. Banking deals are smaller, and seldom exceed $1bn.

Although the number of merger deals concluded in 1986 increased, the average size of a transaction was smaller. Highly leveraged buyouts and the use of junk bonds have also faded in popularity as a takeover strategy pending congressional attempts to impose new curbs on their use.

HARD LINE EXPECTED FROM FIRST PALESTINE NATIONAL COUNCIL MEETING SINCE 1984

Rival PLO factions are re-united

BY TONY WALKER IN ALGIERS

THE PALESTINIAN movement began a crucial meeting in Algiers yesterday after squabbling factions of the Palestine Liberation Organisation (PLO) were reconciled in a move likely to push the organisation towards a more radical posture.

The mood in a large circular conference hall about 20 kilometres west of Algiers near the Mediterranean coast was buoyant, as previously estranged PLO figures greeted each other after years of in-fighting, at the first meeting of the Palestine National Council (PNC) since 1984.

Mr Yasser Arafat, PLO chairman, was greeted warmly as he entered the conference chamber. Mr Arafat, who was wearing khaki, and a traditional headscarf, smiled broadly at the applause.

Among those attending the 18th session of the Palestine National Council, the Palestinian parliament in exile, was Dr George Habash, secretary general of the Popular Front for the Liberation of Palestine (PFLP) who had led opposition to Mr Arafat's attempts to seek a diplomatic solution to the Middle East conflict.

Reconciliation was less than total, however. In pre-conference talks, four small radical factions were excluded because they demanded Mr Arafat's dismissal. They belonged to the Palestine National Salvation Front, the Syrian-sponsored organisation of splinter groups which split from the mainstream PLO and Mr Arafat in 1983.

In Damascus, a statement issued in the name of the front contradicted a statement by Dr Habbash, that the PNSF had been dissolved.

The PFLP's presence at the opening sessions with that of the Democratic Front for the Liberation of Palestine, both Marxist factions, were the substance of the reconciliation.

At the same time, the PLO leadership rejected the participation of the Fatah General Council faction, led by the arch-terrorist Mr Abu Nidal, whom the PLO condemned to death in absentia over a decade ago. Its presence could only be a grave embarrassment to Mr Arafat.

Dr Habash's presence at the PNC meeting, attended by more than 300 delegates, a large number of Arab observers and several hundred journalists was, however, considered vital to PLO reconciliation efforts. Dr Habash heads the second largest faction of the guerrilla organisation.

Mr Arafat had agreed to abrogate the Amman Accord he signed with King Hussein of Jordan in early 1985, thus opening the way for reconciliation among warring PLO factions.

Mr Arafat and King Hussein had pledged to seek a Middle East settlement on the basis of UN Security Council resolutions calling on Israel to withdraw from territory occupied in the 1967 war. The aim of the agreement was the formation of a Palestinian homeland in confederation with Jordan.

Palestinian radicals denounced the Accord as a capitulation, because acceptance of UN Resolutions 242 and 338 would have implied recognition of Israel's right to exist. The Accord was also criticised because it did not spell out clearly an independent role for the PLO in proposed peace negotiations.

The Soviet Union, Algeria and Libya were prominent in efforts to reconcile estranged PLO factions. Moscow is said to have argued that a divided PLO stood no chance of having an effective voice in a proposed international peace conference on the Middle East.

The Soviets have been pushing the idea of an international conference, attended by the parties to the dispute, plus the five permanent members of the Security Council.

European foreign ministers have indicated support for an international conference. The US, after first saying it was opposed, now appears to be having second thoughts.

In Israel, there are deep divisions on an international gathering. Mr Yitzhak Shamir, the Prime Minister, is opposed, while Foreign Minister Mr Shimon Peres is in favour.

The 18th PNC is expected to endorse resolutions abrogating the Amman Accord, uphold previous agreements denouncing Egypt over the Camp David Accords leading to the peace treaty with Israel and call for organisational changes that will strengthen principles of collective leadership.

Radicals have long complained about Mr Arafat's individual approach to running the PLO, his alleged failure to consult colleagues and his tendency to ignore resolutions of the organisation's governing bodies.

Rival factions, including principally Mr Arafat's Fatah mainstream and the PFLP appear to have compromised over continuing relations with Egypt. Radical groups urged the severing of ties with Cairo.

Mr Arafat resisted such pressures, but agreed in the end to abide by previous PNC resolutions and those of Arab League summits condemning Egypt's peace treaty with Israel. It will be up to the PLO's executive committee, its "cabinet", to decide what action to take on relations with Cairo.

The PNC is expected to reaffirm a commitment to armed struggle as a means of achieving Palestinian self-determination. Conference pronouncements are likely to be more radical in tone than those of the last, held in Amman in November, 1984.

The Amman PNC was boycotted by Damascus-based radical groups. It was denounced by Syria and other states.

EEC and US 'losing most of customs duty on express mail'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT IN LONDON

THE US and EEC governments are losing substantial amounts of revenue because customs systems cannot cope with the requirements of the international express delivery industry.

Out-dated customs regulations are also causing long delays to express shipments, and hampering the growth of an industry which has nevertheless achieved an annual worldwide turnover of $16bn.

These are the findings of a confidential survey carried out by Peat, Marwick, the accountancy firm, for the International Courier Conference (ICC), which represents the major express companies.

The survey shows that EEC customs officials collected only 27 per cent of duty payable on express mail items during a 10-month trial, while the US Customs Service collected only 4 per cent, EEC customs officials collected 25 per cent of the value added tax (VAT) due.

Peat, Marwick found that the performance of customs services varied widely among EEC countries: Ireland collected no duty and no VAT, for instance, while the Netherlands collected 46 per cent of duty and 50 per cent of VAT.

There were also two instances in which duty was assessed by officials in EEC countries when it was not legally payable.

Peat, Marwick concludes that customs services tend to concentrate on high-value packages, and that collection of duty and VAT tends to cause long delays to consignments.

This is in line with claims by the express companies that strains caused by the rapid growth of the industry have led customs officials in some countries to turn a blind eye to low value packages on which small amounts of duty should be paid.

The cumulative value of these payments would be substantial: about 40m express packages are expected to be carried on international routes this year, of which the industry estimates about 20 per cent should be liable for duty.

The results of the survey will increase pressure on customs services to agree to modifications of regulations which were largely drawn up before the express industry was invented.

Officials of the Customs Co-operation Council, the United Nations customs agency, are understood to have reached broad agreement with the ICC on a series of moves to simplify the rules by amending the 30-year-old Kyoto convention, which governs international customs procedures.

Change is being held up, however, by opposition from some customs services.

Formal proposals produced by the Council's permanent technical committee are said to have been "watered down" by a committee of experts appointed on behalf of the 98 national delegations.

The revised proposals will be considered by a working party in Brussels today and will return to the permanent technical committee next week.

The express companies hope the Peat, Marwick report will provide sufficient evidence of the strains on the system to create a majority in favour of a return to the original, more radical, proposals.

Amendments to the Kyoto Convention could then be considered by the general assembly of the Customs Co-operation Council, which meets in Ottawa in July.

Satire helps win Queen's Award

BY FIONA THOMPSON IN LONDON

SPITTING IMAGE, the British satirical television series whose puppets savagely portray royals, politicians and pop stars, may displease those at the receiving end of its humour, but the programme is doing the UK's balance of payments a power of good.

The series, whose puppets represent, among many others, President Ronald Reagan, Queen Elizabeth and Mrs Margaret Thatcher, is watched in 80 countries around the world – a factor contributing to Central Independent Television of Birmingham being named today as one of 120 British companies to win this year's Queen's awards for export achievement.

It is a record figure, up from 114 last year. Awards to companies for technological achievement are also up, 34 compared with 27 last year.

Both high-technology and traditional companies get a good showing in the export awards. So do some of the less traditional – companies selling rot-proof envelopes, slurry pumps and day-old chicks.

Japan is listed by 52 of the 120 export award winners as a marketplace for their products, including three companies producing audio console. The Bridgend, Wales, plant of Sony (UK) fills the classic coals-to-Newcastle role, having recently established markets in Malaysia and Singapore, Japan's own back yard.

Eight GEC subsidiaries win awards, four for technological and four for export achievement. The latter includes Paxman Diesels of Colchester in Essex which landed a £27.5m ($44.8m) deal to provide 62 high performance engines for US Coastguard cutters, the fast customs patrol boats used in drugs swoops. Forty-nine navies around the world use Paxman engines.

Ayala-Abott & Butters of Needham Market, in Suffolk, specialise in high quality interiors. They recently lavishly fitted out the Palace of Congress in Kuwait, keeping 150 UK craftsmen on site for 15 months. Two thousand books of gold leaf were used on the ceiling, 200 bronze doors installed and it took 40 men to carry in the silk and pure wool carpet made in Thailand.

In the technology sector, the Royal Signals and Radar Establishment, Malvern, shared an award with GEC's English Electric Valve Company for the development of a "heat camera", used by fire services and navies to detect bodies in smoke and rubble. This sensitive camera was used during the Mexican earthquake, the 1985 Putney gas explosion and, most recently, in Zeebrugge.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	S	18	64	Malta	S	19	66	Rhodes	S	21	70
Algiers	S	22	72	Edinburgh	F	9	48	Manchester	F	9	48	Rio de J'o	S	35	95
Amsterdam	R	9	48	Faro	S	23	73	Manila	S	36	97	Rome	S	18	64
Athens	S	20	68	Florence	S	19	66	Melbourne	F	15	59	Salzburg	R	12	54
Bahrain	S	26	79	Frankfurt	F	13	55	Mexico City	S	27	81	San Francisco	F	10	50
Bangkok	S	35	95	Funchal	F	20	68	Miami	S	25	78	Seoul	C	23	73
Barcelona	S	17	63	Geneva	R	13	55	Milan	S	19	66	Singapore	F	33	91
Beirut	C	20	68	Gibraltar	S	17	63	Montreal	F	15	59	Stockholm	Sl	2	36
Belfast	F	10	50	Glasgow	F	11	52	Moscow	Sn	0	32	Strasbourg	R	12	54
Belgrade	S	23	73	Guernsey	S	11	52	Munich	C	13	55	Sydney	F	21	70
Berlin	F	14	57	Helsinki	S	3	37	Nairobi	F	26	79	Taipei	S	30	86
Biarritz	C	15	59	H. Kong	C	25	77	Naples	S	18	64	Tangier	S	25	77
Bombay	S	32	90	Innsbruck	C	13	55	Nassau	S	27	80	Tel Aviv	S	19	66
Bordeaux	C	12	54	Inverness	R	9	48	New Delhi	S	36	97	Tenerife	F	23	73
Brussels	F	11	[illegible]	Islamabad	S	36	97	New York	C	14	57	Tokyo	S	23	73
Budapest	F	19	66	Istanbul	S	15	59	Nice	C	15	59	Toronto	F	15	59
B. Aires	C	19	66	Jakarta	R	33	91	Nicosia	C	21	70	Tunis	S	23	73
Cairo	S	22	72	Jersey	F	12	54	Oporto	S	18	64	Valencia	S	20	68
Cape Town	C	20	68	Jo'burg	F	21	70	Oslo	Sl	0	32	Venice	C	17	63
Caracas	C	30	86	Lima	S	[illegible]	72	Paris	F	16	61	Vienna	C	16	61
Casablanca	S	21	70	Lisbon	S	18	[illegible]	Peking	–	—	—	Warsaw	R	12	54
Chicago	F	14	57	London	C	13	55	Prague	F	12	54	Washington	F	16	61
Cologne	C	13	55	Los Angeles	F	14	57	Reykjavik	C	2	36	Zurich	F	15	59
Copenhagen	R	9	48	Luxembourg	F	11	52								
Corfu	S	20	68	Madrid	C	21	70								
Dallas	F	20	68	Majorca	S	20	68								
Dublin	F	11	52	Malaga	–	—	—								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Nakasone tax move opposed

Continued from Page 1

the deputy prime minister, confirmed the Government's flexible attitude on the sales tax, saying that it was ready to accept "a drastic revision," even including a change of name of the proposed tax.

Mr Kanemaru also said the Government would not put the bill to a vote until an agreement was reached between the LDP and opposition parties, which could mean a willingness to withdraw the legislation from the current session of the Diet (Parliament).

However, the opposition party leaders were not impressed. They say they will not agree to the passage of the budget until the sales tax proposals are withdrawn completely.

On Sunday, Mr Shintaro Abe, the former Japanese foreign minister, flew to Washington as a personal envoy of Mr Nakasone to explain Japan's latest stimulus plans.

Baker defends monetary stance

Continued from Page 1

marks which were not cleared with Mr Baker. The Treasury Secretary, anxious to restore stability to the financial markets, is believed to have felt that Mr Miller's comments were unhelpful and therefore distanced himself yesterday.

His statement that current US monetary policy is "quite adequate" lent weight, however, to widespread reports that there has been a vigorous debate within the Fed board of governors over whether or not to tighten monetary policy to defend the dollar.

Mr Paul Volcker, chairman, had indicated that the central bank may have to push up interest rates to combat the fall in the dollar and a resurgence of higher inflation. But some reports in Washington suggest that Mr Manuel Johnson, vice chairman, has lined up a 4-3 board majority which agrees with Mr Baker's view that no change in policy is needed.

In his interview on breakfast television Mr Baker added that he was satisfied that the recent rise in long-term interest rates and the tightening of conditions for US mortgage rates was only temporary.

Turning to trade friction with Japan, Mr Baker said that a lower dollar was only one part of a "broad and comprehensive" policy to reduce the US trade deficit. He said that if the dollar declined too far it would harm the trade surplus countries – such as Japan – and prevent them from taking measures to promote further growth and higher consumption of US exports.

Alfonsin sacks general

Continued from Page 1

After the surrender to President Alfonsin, the rebels' leader claimed in an improvised press conference that "We have obtained our objective. We have given an example. The President and the politicians understood it."

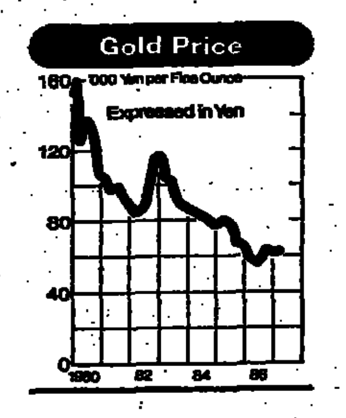
It is thought that the Government might now attempt to place some limit on the level of responsibility attributable to the junior ranks during the "Dirty War" of the 1970s, either by legislative means stemming from a pact signed by the major political parties at the height of the rebellion, or by persuading the courts that such a distinction is politically necessary.

THE LEX COLUMN

Bugs in the system

The price of gold, it is said, is rising. It is if you are American, and, to a lesser extent, if you are British. If you are Japanese, on the other hand, gold is still in the throes of a seven year bear market. Since gold is a commodity priced in dollars, the argument that the value of gold will move in an equal and opposite direction to the international value of the dollar is intellectually appealing. This is reinforced by the traditional and more visceral argument, that when the dollar is seen to retain value in the way that a colander holds water, gold is the best substitute as a vessel.

The first point may be as durable as fashion. Gold was previously thought to have an adhesive relationship with the oil price, not just because low oil prices meant low inflation, but also because the Arab world is one of the main props of the gold investment market. The failure of the gold price to respond to the collapse of the oil price has ruined charts that go back at least a generation.



Panic button

The old blanket-hugging argument for gold – the panic button of the investment world – is still the driving force behind the more speculative surges in the price. So the sudden issuance of about $500m of gold-linked debt on the Eurobond market over the past week is a clear enough indication that investors are beginning to have their doubts about paper money. Naturally they may well be misguided in their neurosis, and indeed the borrowers, being on the other side of the bargains, must believe that they are. But lack of confidence can be highly contagious.

The re-emergence of gold in the debt market may appear to recognise the view held only by the hardest-line of the gold bulls, that gold is not merely an inert unyielding mass, but a veritable currency. All the more interesting then, that one of last week's offerors of gold warrants in exchange for cash was a government: the Kingdom of Belgium. But perhaps Belgium was slyly attempting to realise what ought to be the dearest wish of a number of European countries to unload part of their massive stock of gold without simultaneously driving down the value of what remains in the vaults. In any event it is impossible to believe that the Western powers will want a commodity which is mainly held and produced by South Africa and the Soviet Union to play a part of any significance in the stabilisation of the international monetary system.

Despite the coincidence of rumours of a trade war with renewed interest in gold, it is equally likely that the gold bug is part of the bull market, rather than a hedge against its demise. The same flawed arguments which persuade investors to buy bank shares because that sector has been lagging behind, say, pharmaceuticals, can equally well be applied to gold, given the way it has trailed behind equities as a whole. For the point about a bull market is precisely that it does not descriminate sufficiently between investments.

Van Gogh

Anyone who dares to point out that bullion provides no income will be damned as a mouse rather than a man by the gold pushers. And they may even have a point. The Japanese who are moving into gold are giving up domestic real interest rates of about 1.5 per cent, or, if they are selling domestic equities, a yield of about 0.6 per cent. So why not spend £24m on Van Gogh's *Sunflowers*, even if it does not produce little yellow petals every year?

And if not actually part of the bull market, these sorts of investments are certainly the fruits of time spent in the equity markets. As gold bulls point out tirelessly, it would take only a fraction of a percentage point of the recent profits on the New York or Tokyo stock exchanges to go into gold, to buy up a whole year's production of the stuff. This is no better and no worse than the weight of money arguments which have become so fashionable on the stock markets themselves: a case of "never mind the value, feel the size." As a means of divining the right price for the commodity it is only marginally more useful than speculating about what would happen if every one in China bought a Deng Tsao Ping commemorative gold coin.

Yet if portfolio weighting has any force, there will be sustained investment buying of gold. The very outperformance of the equity markets means that the proportion of funds invested in gold must have declined drastically. That does not mean that gold should regain the weighting it once held. It may very well be a hedge against the collapse of the paper markets, but if the world does plunge into recession, that event is much more likely to be accompanied by deflation than by the high rates of inflation on which gold is supposed to thrive.

Optimism

What is more, there are hedges which were not available before or during the traumas of the 1970s and early 1980s. It is now possible, via the options and futures market, effectively to hedge equity portfolios. There is also, at least for the UK investor, index-linked government stock. The yield on index-linked has not fallen particularly of late, which suggests that those UK investors who are buying gold are doing so at least as much out of optimism as out of pessimism.

If supply and demand meant as much in the gold market as it does in the oil market, then investors would be looking to sell, and fast. Last year about 4 per cent more gold was produced than was required for industrial purposes. This year, thanks to the continued rapid increase in North American and Australian production of gold, the surplus of supply over industrial demand will be around 15 per cent. So at the moment gold needs the investor every bit as much as the investor needs gold. And virtually every ounce of gold ever mined is still above ground, waiting for its price. That is one thing that can be said for paper money: it may not have class, but at least it can be burned.

INTERNATIONAL BONDS

Bankers rush to issue deals playing on gold

BOTH BONDS and equities took fright last week at the fall in the dollar and the threat that interest rates might have to rise to defend the currency. This put most of the Eurobond market's staple products out of fashion, writes Clare Pearson in London.

But as a consequence of all these worries one market was looking healthier than it has done in years: the gold market. The point was not lost on Eurobond bankers and they rapidly set about designing new issues that would enable them to take advantage of the change.

Bonds providing the investor with a play on gold have cropped up now and again in the international capital markets over a number of years but last week's concentration of new issues was unprecedented.

Three kinds have so far been invented: the bond convertible into shares of a gold mining company; the bond convertible into gold and the bond carrying a warrant to buy gold.

Most of last week's issues in the Eurobond market were variations on the bond with warrants. This was first developed in Switzerland, a natural home for gold-linked bonds since it is a centre of bullion trading – so the banks have quantities of gold in their vaults that can be brought into play – and since Swiss small investors have always had a penchant for gold investments.

A couple of deals emerged in Switzerland last week, both launched by Crédit Suisse. This house devised a new model, the gold warrants bond, earlier this year, with a deal for Electricité de France.

It combines a bond issued by a high quality borrower with warrants providing a claim on Crédit Suisse's own gold. The borrower gets a lower cost of funds than he would on a straight issue and the investor gets the reassurance of an instrument backed by two blue chip credits. This compares with investing in a bond issued by a mining company.

Crédit Suisse's two deals last week were both on this model, being for Belgium and for Hoffmann-La Roche, the Swiss chemicals and pharmaceuticals group.

Seeing how well the Swiss franc bonds were going, Salomon Brothers International decided to extend the idea to another part of the international capital market: the Ecu sector. Salomon said the issue, for St Gobain, was likely to attract mainly French investors who, like the Swiss, have been keen buyers of gold in the past.

Credit Suisse First Boston then launched a dollar-denominated bond for Banque Nationale de Paris, modelled on the St Gobain bond.

These bonds differed from the Swiss model in that the warrants could be exercised in dollars instead of in Swiss francs. The price of gold in dollar terms has gone up much more than in Swiss franc terms because of the depreciation of the dollar against European currencies.

Banque Paribas Capital Market's deal for International Corona Resources was more traditional gold-play Eurobond since it was issued by a gold mining company and was convertible into gold.

From the point of view of the leverage on the gold price, none of the gold warrants bonds square up to a purchase of a warrant on its own. The premium paid for the option is harder to evaluate than on a "naked" warrant, since it depends on the value attributed to the bond. By normal measures, however, dealers say that the premium on a bond with warrants works out as more expensive than on a pure warrant.

The bonds are likely to attract what one dealer called the "faint hearted gold investor." First, they provide a yield, which physical gold obviously does not. Secondly, they provide capital protection. This is enhanced by the fact that if the price of gold is falling interest rates are likely to be coming down, benefiting the bond investor.

They also serve the purpose of providing a play on the gold price for the broad categories of funds that are prohibited from investing in options and warrents directly.

Just one set of warrents on their own appeared last week, led by Citicorp Investment Bank, which launched a couple of similar deals earlier this year. This issue was expected to go mainly to professional buyers.

Demand for last week's issues certainly seemed strong in Switzerland but was harder to judge in the Eurobond market since the deals did not trade widely.

Dealers were generally enthusiastic about Salomon's issue for St Gobain but were less certain of the demand for CSFB's deal for Banque Nationale de Paris as the market for dollar-denominated deals of this kind is unknown and the warrants looked expensive.

No one was expecting gold warrant bonds to become a regular feature of the Eurobond market despite their frequent appearances last week. "It's a market you can only tap on a turn in the gold price and not one that can be loaded down with issues," said one dealer.

Eurobond dealers were not too worried about that, however, since a downturn in the gold market is likely to be accompanied by an upturn in demand for straight bonds.

After violent price movements last week, Eurodollar bonds on Thursday closed as much as 1½ points down on the week. But dealers detected a slightly better tone as investors, reassured by a more stable dollar, moved in to pick up some cheap bonds. Yield margins in relation to US Treasury bonds were steadying after widening out by as much as 25 basis points in the course of the week.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,087.2	421.5	12.0	4,148.9
Prev	2,387.5	678.1	22.0	4,084.0
Other	4,245.0	0.4	281	144.8
Prev	4,083.4	8.2	–	316.5
Secondary Market				
US$	21,586.5	2,217.0	14,885.5	5,386.5
Prev	26,137.4	2,358.5	14,316.2	6,843.1
Other	22,162.5	630.5	6,161.4	17,223.3
Prev	21,172.9	862.5	4,786.2	18,341.5

	Cedel	Euroclear	Total
US$	14,272.2	36,554.2	50,826.4
Prev	16,976.2	37,840.6	54,816.8
Other	15,980.3	34,558.1	50,538.4
Prev	17,427.6	32,093.6	49,521.2

Week to April 16 1987 — Source: AIBD

Monsanto increases earnings to $138m

BY OUR FINANCIAL STAFF

MONSANTO, the US chemicals group which acquired G.D. Searle in 1985, yesterday reported net earnings of $138m or $1.76 a share in the first quarter of 1987, up from $118m or $1.52 a year earlier.

The company attributed the rise to strong customer demand, cost reduction programmes, pricing and marketing strategies implemented last year and gains from a weaker dollar. Sales advanced to $1.87bn from $1.75bn.

Monsanto said demand for products containing its Nutra Sweet low calorie sweetener continued to be strong although shipments during the quarter were below year-ago levels as customers continued their planned reductions of inventories to levels more in line with requirements.

It said its chemicals, plastics and fibres unit was buoyed by the strength of customer demand for a wide variety of products, especially for nylon and acrylic fibres.

Meanwhile Dow Chemical, the second largest US chemical maker, as expected announced a strong increase in first-quarter net profits, which rose to $246m or $1.26 a share from $175m or 92 cents a year earlier.

Sales rose 10 per cent to $3.02bn, the highest quarterly sales performance ever, from $2.74bn in the corresponding 1986 period.

The company was helped both by volume increases for the majority of its products and the improved pricing environment, the result in turn of a better worldwide industry balance between supply and demand.

This was particularly beneficial to Dow's basic businesses such as basic plastics, while polystyrene and low density polyethylene operations also performed well.

"The quality of our business was excellent," said Mr Paul Oreffice, chairman and chief executive. "All geographic areas and all segments performed well," he added. Mr Oreffice highlighted in particular a 77 per cent year-on-year rise in operating income at the company's US operations.

The only blemish on the company's record was a loss at the Dowell Schlumberger operations.

EURONOTES AND CREDITS

Several commercial paper programmes waiting in the wings

RISING interest rates, sliding stock markets, concerns about the credit quality of banks: it is a scenario which might have been put together by a salesman of Eurocommercial paper, writes Stephen Fidler in London.

In fact, some eager market proponents were saying last week that their sales had risen sharply in the last two or three weeks to record levels. One even claimed there had at times been a shortage of paper last week for potential investors.

The claims were regarded sceptically by some but most agreed that the factors which have come together in the last week or two would bode well for an established market in short-term non-bank paper. The question, they said, was whether the Eurocommercial paper market, estimated size $25bn to $35bn, yet fits this description.

The fear of rising interest rates traditionally encourages commercial paper markets. Borrowers are keen to issue to lock in current interest rates. Investors, on the other hand, are retiring from the longer maturity markets into cash and near-cash instruments. Fears of a weakening stock market, often a corollary of rising interest rates, also send investors scurrying for short-term paper.

Renewed worries about the Third World debt crisis, brought on by Brazil's declaration in February that it would suspend interest payments on its medium-term and long-term debt, have also encouraged investors to make efforts to avoid bank paper.

Growth is possible even in a market denominated in a jittery currency such as the dollar, thanks to the development of the swap market over the last few years. One dealer said almost half of his institution's business involved transactions in which investors neutralised their foreign exchange exposure by using swaps.

Indeed, competitive rates are available to borrowers. Sweden, a favourite name with the Far East, has achieved 19 basis points below London interbank bid rates in recent deals. France is said to have won 17 or 18 points below.

Still, while a number of new programmes were said to be in the wings, few were announced in the shortened week. Skanska, Scandinavia's largest civil engineering and building contractor, appointed Enskilda Securities and Manufacturers Hanover for a $75m programme.

In the Eurocredits market, the news was the $300m, eight-year credit for the Bank of Greece. Bankers' reaction was generally positive: the ⅜ percentage point spread over London interbank offered rates (Libor) throughout the period compared favourably, with the spreads offered (10 basis points for five years and 12.5 for the remaining three) in the successful $125m refinancing for Portugal.

The participation of the Japanese banks in the Greek deal will be closely watched. In the last large loan for Greece, raised to $375m from the original $300m, worries about a possible rescheduling kept Japanese banks' take down to 23 per cent. The rescheduling fears seem to have dissolved, along with improving performance of the Greek economy, and the hope of the six lead banks must be for Japanese participation of at least 30-35 per cent, if not higher.

Two seven-year deals for Italian state-owned financial institutions were launched last week.

Banco di Sicilia mandated Chase Investment Bank for a $150m standby revolving credit to back up a US dollar Eurocertificate of deposit programme. Drawings can be made at three days notice at Libor, or same-day at Chase's prime rate.

There is a facility fee of 5 basis points and a fee of 2.5 basis points if utilised up to 25 per cent, 4 basis points with 25-75 per cent usage and 7 basis points for usage above 75 per cent. The front-end fees are 6.25 basis points for $12.5m and 4 basis points for $7.5m-$12.5m.

First Chicago has won the mandate for a $100m deal for Mediocredito, which be used to finance Italian exports the Soviet Union. The maturity is seven years from the date of draw-down, which can be at any time over 2½ years.

The margin is 10 basis points and a small group of banks will be invited at $10m for a ⅟₁₆ point front-end fee.

MCI reverses losses with 16% revenue rise

BY OUR FINANCIAL STAFF

MCI Communications, the independent long-distance phone group, yesterday reported higher first-quarter net income and said it expects better cost controls and the growth of international services to result in profits for the full year.

For 1986, MCI reported a net loss of $448.4m or $1.63 a share, which included a $585m restructuring charge and other special items.

MCI said first quarter net rose 25 per cent to $25m or nine cents a share from $20m or eight cents, on an increase in the number of outstanding shares. Revenues rose 16.6 per cent to $955m from $819m, the company said.

The company reduced its leased line costs to an all-time low of 5 per cent of revenue. It also reduced internal operating expenses to about 28 per cent of revenue from 30 per cent a year ago. Access charges (charges for access to local subscribers) should stabilise later this year at slightly more than current levels, it added.

"We are confident that these cost control measures, combined with our strategic focus on the commercial marketplace and the growth of our international and 800 services, will result in a profitable 1987," it said.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Early election date needed to push yields below 9%

THE UK government bond market has a lot going for it but it is unlikely to fulfil its potential until the Prime Minister names her election day.

Last week saw a raft of indicators which painted a bright economic picture. The Central Statistical Office announced a substantial upward revision in its previous estimate of manufacturing output in the final quarter of last year and January and at the same time a revision in output-based gross domestic product last year.

Manufacturing industry does now seem to be performing very well and is also remaining cost competitive which should underpin exports. A set of figures last Thursday showed that unit labour costs had risen by only 1.0 per cent in the year to February and that, over the same period, productivity in manufacturing industry had risen by 6.9 per cent.

Inflation expectations had already improved since early this year. The decision not to raise excise duties in the Budget coupled with the mortgage rate cut announced in the optimistic aftermath made the Chancellor's forecast of 4 per cent inflation by the end of this year look more than credible.

Fall in jobless

Last week also saw the final set of figures on the Public Sector Borrowing Requirement in 1985-86, producing a shortfall on target which was even larger than the Chancellor had envisaged at budget time, and boding well for borrowing this year.

Last but not least, last week's figures for unemployment strongly suggested a fall in the official total below 3m in the June 18 announcement. The fact that sections of the press are now talking about that day as a possible election date attests to the political importance that these figures have — whatever has been behind the large declines in the count.

Apart from all this, opinion polls since Mrs Thatcher's Moscow trip have shown a consistently large lead for the Conservative Party. So sure is the market now that these polls paint an accurate picture and provide a confident backdrop for calling the election, that daily polls no longer elicit the same volatile reaction.

In the face of this barrage of good news, the gilt market last week ended only just over 5 basis points higher and yields remained over 9 per cent. The one remaining trigger to a rally below 9 per cent is now the announcement of an early election. If that doesn't happen gilts could struggle.

Last week saw the Bank of England unveil its plans for a series of experimental auctions of gilts. The final proposals were a mere shadow of the original thinking, apparently because the Treasury was not prepared at this stage to countenance any kind of commission or other method of rewarding market-makers for an underwriting commitment which could be identified as an extra cost.

Auction system

It seems likely, however, that a proper competitive US style auction could eventually make funding cheaper and more than cover any extra cost now feared by the Treasury. Whatever the thinking, this series of trial auctions contributes little to the process of change set off by Big Bang.

However, in innovative spirit, a report published last week by economists at Alexanders, Laing and Cruickshank furthered the thought process by coming down firmly in favour of scrapping the tap system and instituting a fully-underwritten auction system coupled with a US style repo market which would increase the gilt market's ability to borrow, lend and trade gilts and other fixed-interest securities. This kind of thinking will no doubt be something that the Bank of England will eventually contemplate and put to the Treasury. However the experience with auctions suggests that this sort of innovation will be a long time coming.

Janet Bush

US MONEY AND CREDIT

Markets in a better frame of mind

US CREDIT markets packed into four days last week the kind of dizzy movement that used to occupy months. With the dollar tumbling against the yen at the start of the week, bond prices slid horribly and the benchmark Treasury long bond was yielding over 8.5 per cent by mid-morning last Tuesday.

But the fall ended as dramatically as it began, rates picked up and most yields ended the week before the Good Friday holiday only a little lower.

The markets open this week in a much better frame of mind than for some time, although the performance of the dollar is likely to continue to set the price trend. The exception may be the tax-exempt municipal market, which ended last week with a host of problems to add to the general uncertainty in fixed-interest markets.

On Tuesday, things really did look pretty awful. As the dollar fell to yet another low point against the yen, at Y140.60, it seemed almost inevitable that the Federal Reserve must tighten the flow of liquidity into the markets so as to defend the unfortunate currency. Federal Funds were trading at 6.5 per cent and that was evidence enough for some that the Fed was turning the screw a little.

In this tense atmosphere, the long-awaited figures on the US trade performance in February were an icy blast. The figures showed that a sharp increase in imports widened the trade deficit to \$15.06bn in February, from a revised \$12.27bn in January. The downward revision of January's figures, from \$14.8bn, made the February result seem the more startling and there were all sorts of suggestions that things are not as bad as they seem.

The most popular defence is that rising import prices are more to blame than a weak export performance. But this is just another way of saying that the devaluation of the dollar is not yet working.

Nonetheless, both the currency and bond markets hit rock bottom — for last week, at least — at the release of the figures. The yield on the long bond improved steadily from its worst level of 8.52 per cent that morning. There were three main encouragements.

The first came from Mr James Baker, the US Treasury Secretary whose remarks on international currency matters have usually been a good signal to sell dollars. For weeks, Mr Baker has been saying that the dollar's exchange rate reflects fundamental economic realities.

But on Wednesday, Mr Baker changed his tone. At a dinner in New York on Wednesday evening, he seemed to accept that further devaluation would only drive the economies of West Germany and Japan further down the path towards recession. He said a "further decline in the dollar against other main non-dollar currencies could well be counter-productive to our goal of higher growth" abroad. His remarks launched a rally in Tokyo which continued through the week.

The second came from further evidence — this time from March industrial production an dhousing starts — that the economy is not growing very fast. In fact, Mr James Miller, the president's budget director, warned on Thursday that any tightening by the Fed might plunge the country into recession.

The third was provided by bargain hunters. With up to 440 basis points in yield available to Japanese investors willing to swap their domestic holdings for US bonds, the market seemed simply to be waiting for the trade news to be out of the way.

Smith Barney was telling investors to go into the market on Thursday, despite the dangers from a weaker dollar. "The likelihood that expectations have moved too high on inflation and are in the process of moving too high on economic growth appear to create a buying opportunity. There is a good chance that long-term interest rates will fall by 100 basis points or more from this week's peak (8.54 per cent) at some point prior to year end," Smith Barney wrote.

It was particularly keen on the municipal market, which went into free-fall on Monday and ended the week still some 1¼ points down. The chief problem is that open-ended bond funds, which bought heavily last month when the market looked healthier, are now faced with heavy redemptions partly caused by the tax-return season.

* * *

The following are the main economic statistics due to be released this week:

- First-quarter Gross National Product (due on Thursday at 8.30 am). The median of 19 estimates, surveyed by Money Market Services of Redwood City, California, shows real growth of 2.8 per cent. Estimates range from 1 per cent to 3.8 per cent. The median of 19 estimates for the GNP deflator was 3.99 per cent, with estimates ranging from 2.4 per cent to 4.5 per cent.
- Consumer Price Index in March (due 8.30 am on Friday). Money Market Services' own estimate is for an increase of 0.3 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Thursday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.44	6.23	6.08	11.34	5.71
Three-month Treasury bills	5.55	5.82	5.52	6.52	5.41
Six-month Treasury bills	5.65	5.96	5.55	6.54	5.06
Three-month prime CDs	6.35	6.25	6.20	6.95	5.46
30-day Commercial Paper	6.38	6.33	6.20	7.70	5.55
90-day Commercial Paper	6.38	6.35	6.18	6.80	5.45

US BOND PRICES AND YIELDS (%)

	Last Thurs.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	7.88	7.70	7.02
20-year Treasury	[illegible]	[illegible]	8.34	8.29	7.64
30-year Treasury	[illegible]	[illegible]	8.21	8.18	7.53
New 10-year "A" Financial	n/a	n/a	9.00	9.00	8.80
New "AA" Long utility	n/a	n/a	9.50	9.25	8.60
New "A" Long Industrial	n/a	n/a	9.38	9.25	8.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended April 6 M1 rose by \$1bn to \$739.8bn.

NRI TOKYO BOND INDEX

December 1985 = 100	16/4/87	Average yield (%)	PERFORMANCE INDEX Last week	12 wks ago	26 wks ago
Overall	139.44	3.96	139.11	133.40	128.86
Government Bonds	141.55	3.47	141.11	134.27	129.49
Municipal Bonds	139.34	4.60	139.07	134.34	128.80
Government-guaranteed Bonds	140.10	4.45	139.77	135.24	129.26
Bank Debentures	133.82	3.64	133.49	129.82	125.73
Corporate Bonds	136.82	5.12	136.12	132.12	128.85
Yen-denominated Foreign Bonds	138.05	6.32	137.65	134.22	130.15
Government 10-year†	—	4.55	4.62	5.26	5.71

† Estimated par yield.

Source: Nomura Research Institute.

Futures on foreign state bonds

THE US Securities and Exchange Commission has voted to propose allowing the marketing in the US of futures contracts on any highly rated foreign government bonds, AP-DJ reports from Washington.

The SEC decided to seek public comment on a rule proposal that would exempt from registration for purposes of futures trading any foreign debt with a triple A or Double A rating from two nationally recognised rating agencies.

At the same time, the commission proposed allowing US securities firms to buy and sell futures contracts on the debt of France, Australia and New Zealand.

Debt issued by eight other west European countries would also qualify. They are Norway, Sweden, Finland, Denmark, West Germany, Austria, Switzerland and the Netherlands. The SEC already has exempted the debt of Britain, Canada and Japan for purposes of futures trading.

FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on April 16.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Recovery for US oil services group

By Paul Hannon in New York

SCHLUMBERGER, the troubled US oil services group, yesterday posted a modest profit for the first-quarter compared with a loss of almost $2.2bn in the final quarter of 1986.

Although the latest results indicate lower operating costs and firmer prices for some of the group's services, when compared with the corresponding three months of 1986, they show the scale of problems facing the group's core business and the sickly state of the US drilling industry.

The recovery amounted to net earnings of $5m or 2 cents per share compared with $193m or 66 cents per share in the first three months of last year. Revenues dropped to $1.09bn from $1.46bn a year ago.

Schlumberger's seismic operations saw revenues contract by 58 per cent in the US and 38 per cent overseas. Compared with the last quarter of 1986, North American revenues improved 6 per cent while overseas business continued to lose ground with a further 5 per cent fall in revenues.

Revenues at Sedco Forex, its drilling services division, plunged 45 per cent against the year earlier level

In early trading on the New York Stock Exchange, Schlumberger shares dropped $¾ to $41¼.

Non-bank bank ruling upheld

THE US Supreme Court has let stand a Federal Appeals Court ruling upholding the Federal Reserve Board's approval for New York-based US Trust to open a bank subsidiary in Florida, AP-DJ reports from Washington.

The high court's action is the latest move in the field of what is known as non-bank banks, which offer some, but not all the services of traditional commercial institutions.

The justices refused to hear an appeal by state regulators and Florida officials, who cited a provision of the Federal Bank Holding Company Act. This prohibits a bank holding company principally operating in one state from acquiring banks in other states without approval of state regulators.

Chase down 28% in first quarter

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the third largest US commercial bank, earned $104m or $1.12 a share in the first quarter of 1987, 28 per cent down on the $144m or $1.63 net profit a year earlier.

Almost the whole of the decline was due to the downgrading of loans to Brazil and Ecuador. Putting loans to these two countries on a non-accrual basis reduced the bank's net profits by $31.4m and $5.2m respectively.

The Latin American problems, which have hit all major US banks, had a much bigger impact on Chase than on Chemical and J. P. Morgan, the two other large New York banks which have reported so far this quarter.

Part of the difference appears to lie in varying tax charges. Chase's non-accruing loans to Brazil are $2.3bn, which compares with $1.04bn at Chemical and $1.3bn at Morgan. But the net income effect reported by Chemical for putting Brazil on non-accrual was only $12m. At Morgan, net income was reduced by $20m.

Chase's net interest income was down 6 per cent, on a taxable equivalent basis, to $776m. However, excluding the effects of Brazil and Ecuador, Chase said net interest income would have risen by about $15m or 5 per cent, in the latest quarter.

The bank's fee and commission income increased by 18 per cent to $286m and other income grew by 7 per cent to $140m. Provisions for possible loan losses in the latest quarter were $160m, some $30m higher than the year before, while net charge-offs were $126m, up $12m on a year earlier.

Other operating expenses were 9 per cent higher at $840m. However, all of the increase in expenses was due to the acquisition of new companies, adverse currency translation effects and a previously disclosed one-time charge of $30m connected with cutbacks in Chase's domestic and international office network. Allowing for these factors, operating expenses were "virtually flat," the bank said.

● BankAmerica, the second-largest US bank holding company, is asking stockholders to boost its authorised share capital from 200m common shares to 300m.

The parent of Bank of America is also seeking approval to increase its preferred stock by 30m shares from a current 20m.

Solid increases by American drug groups

BY DAVID OWEN IN NEW YORK

FOUR DIVERSIFIED US drug companies, Bristol-Myers, SmithKline Beckman, Schering-Plough and American Home Products, reported solid increases in first-quarter earnings on the back of continued broad-based domestic and international growth.

Net profits at the New York-based Bristol-Myers rose 20 per cent to a record $173.9m or $1.21 a share on sales up 13 per cent to $1.35bn, also a record. A year earlier, the company reported earnings of $144.6m ($1.02 a share) on sales of $1.19bn.

Figures for the latest quarter include a $21m gain from the sale of Unitek Corp, the medical products unit, and a $25m provision for the impairment of certain assets.

Mr Richard Gelb, the chairman attributed the strong performance to "balanced growth in both domestic and international businesses. Exchange rate fluctuations contributed approximately 1 per cent to total company sales growth."

Net earnings at the Philadelphia-based SmithKline Beckman rose 26 per cent to $146.4m ($2.30 a share), from $116.4m ($1.51 a share). The latest figures include a pre-tax charge of $19m for a stock repurchase. Earnings in 1986 were reduced by non-recurring charges of $57.8m for a special early retirement programme and for product withdrawal.

First-quarter sales were $1bn, up 16 per cent.

All businesses contributed to the overall positive showing, according to Mr Henry Wendt, president and chief executive. Double-digit sales and profits increases were registered in the animal health care, eye and skin care, Beckman Instruments, and SmithKline bioscience laboratories units.

Net profits at Schering-Plough jumped 18 per cent to $84.9m ($1.45 a share) on sales of $686.3m, against $71.8m ($1.17 a share) on sales of $612.7m.

American Home Products, which also manufacturers household and food products, lifted first-quarter net profits from $196.9m or $1.30 a share to $216.5m or $1.45, on sales up marginally from $1.26bn to $1.29bn.

However, 1986 sales and earnings included results from a confectionery business which has since been sold. Latest results benefited from a lower tax rate

First profit gain in seven quarters for TDK

BY YOKO SHIBATA IN TOKYO

TDK, the world's largest maker of magnetic tapes, lifted consolidated net profits in the first quarter of its current fiscal year by 12 per cent from Y4.25bn a year earlier to Y4.77bn ($33m), the first profit gain in seven quarters.

The company attributed the healthy performance to stepped-up overseas production and other countermeasures against the strong yen.

TDK has beefed up the electronic component production capacity at its plants in South Korea, Taiwan and other Asian NICs (Newly Industrialised countries). It also started operating an audio tape plant in West Germany and a chip condenser plant in the US early this year.

Overall consolidated sales expanded by 3 per cent to Y93.1bn with steady gains posted by electronic parts and components, centring on magnetic heads for large computers and motor magnets for cars, the company said.

But its magnetic tape division, which is highly dependent on exports, saw sales fall by 1.8 per cent as a result of the yen's steep appreciation against the dollar.

The strong yen depressed TDK's overseas sales by as much as Y5bn, the company said. The yen averaged 156 to the dollar in the three months, an appreciation of Y39 from a year earlier.

Dubai bank results show improvement over 1985

BY ANGELA DIXON IN DUBAI

FOUR OF Dubai's six banks have published results for 1986 and most show an improvement over 1985.

Middle East Bank, which achieved a profit turnround of Dh 107m, was perhaps the most dramatic. In 1985 it suffered losses of Dh 93m but in 1986 the bank had a profit of Dh 14m ($3.8m). During the year the bank raised its capital by Dh 100m to Dh 260m.

National Bank of Dubai results remained largely unchanged from 1985. Profit figures were the same at Dh 375m. Capital and reserves rose slightly from Dh 2.35bn to Dh 2.4bn, total assets from Dh 18.85bn to Dh 21.1bn, customer deposits from Dh 15.98bn to Dh 16.8bn, while loans and advances were little changed at Dh 1.29bn against Dh 1.24bn.

Bank of Oman's profits rose from Dh 40m to Dh 55m. Assets declined from Dh 8.91bn to Dh 8.79bn, customer deposits went up from Dh 4.51bn to Dh 4.93bn and loans and advances increased from Dh 3.09bn to Dh 3.31bn.

Commercial Bank of Dubai had lower profits of Dh 18m compared with Dh 21m. Capital and reserves went from Dm 261m to Dh 265m, assets remained largely unchanged at Dh 1.1bn against Dh 1.16bn Loans and advances were down from Dh 557m to Dh 457m.

Domtar considers bids for former Genstar unit

BY ROBERT GIBBENS IN MONTREAL

DOMTAR, the US pulp and paper, building materials and special chemicals group, is considering bids for a large gypsum wallboard plant at Las Vegas acquired last year when it bought Genstar's wallboard business from Imasco, the Montreal conglomerate.

Domtar, a leading wallboard producer, agreed to divest the Las Vegas plant in agreement with the Justice Department. Domtar does not expect to take a loss on the disposal.

Imasco, the tobacco products, retailing and financial services group, bought Genstar for C$2.6bn (US$2bn) but retained only Canada Trustco Mortgage.

The Quebec government owns 28 per cent of Domtar, worth about C$550m but has temporarily delayed plans to privatise this interest.

Higher prices for pulp and newsprint in the first quarter brought a turnaround in profit for British Columbia Forest Products, now controlled by Fletcher Challenge of New Zealand.

B.C. Forest, a large western and eastern forest products group, had first-quarter earnings of C$32.7m or 58 cents a share against C$4.8m or nine cents year earlier

US steelmaker seeks immunity from creditors

SHARON STEEL, the 12th largest US steelmarker, has filed for protection from creditors under Chapter 11 of the US Federal bankruptcy laws. The company claims it was forced into the action because of pressure from a large creditor.

Sharon is controlled by financier Mr Victor Posner. The company said in documents filed in court in Erie, Pennsysivania, that it was compelled to seek protection because Quantum Overseas was exercising its right to redeem $96m of bonds on which Sharon has stopped making payments.

Sharon's petition lists the company's debts as more than $700m.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Zandiko Co. ¶‡	40	1992	5	2⅛	100	Daiwa Europe	2.125
Showa Aluminium ¶‡	100	1992	5	2⅛	100	Nomura Int.	2.125
Nippon Shokubai KK ¶‡	80	1992	5	2	100	Nomura Int.	2.000
Sharp Corp. ¶‡	200	1992	5	2	100	Nomura Int.	2.000
Hokuriku Elect. Ind. ¶‡	35	1992	5	2⅛	100	Nomura Int.	2.125
Saitama Bank §‡	100	2002	15	1¾	100	Saitama Bank (Eur)	1.750
Sankei B'ldg Co. ¶‡	60	1992	5	2⅛	100	Nomura Int.	2.125
Sekisui Chemical ¶‡	200	1992	5	1⅞	100	Yamaichi Int. (Eur)	1.875
Alza Corp. §‡	75	2002	15	5½	100	Merrill Lynch	5.500
Int. Corona Resources (a)	50	1992	5	(3–3¼)	100	Banque Paribas	*
BNP ф‡	100	1992	5	0	80.8	CSFB	4.584
Swedish Export Cr. (b)‡	100	1990	3	8	105.175	UBS (Secs)	6.062
Bank of China (c)†‡	200	1997	10	1/16	100	Daiwa Singapore	–
ML Trust 16 (d)†‡	250	2018	1.99	½	100	Merrill Lynch	–
CANADIAN DOLLARS							
British Columbia Tel. ‡	50	1994	7	9½	101¼	Merrill Lynch	9.250
AUSTRALIAN DOLLARS							
State Bk of Victoria ‡	50	1990	3	14½	101⅜	Commerzbank	13.900
New Sth Wales Treas. Corp. ‡	100	1992	5	14¼	101⅞	County NatWest	13.706
Deutsche Bank Fin. ‡	100	1990	3	14⅛	101¼	Deutsche Bk Cap. Mkts	13.590
Volvo **§‡	50	1990	3	15¾	100⅝	Trinkaus & Burkhardt	15.490
Amro Bank ‡	60	1990	3	14¼	101½	EBC Amro Bank	13.600
SWISS FRANCS							
Nichiei Co. **¶‡	100	1992	–	1	100	Bqe Paribas (Suisse)	1.000
Saitama Bk **§‡	100	1992	–	⅞	100	Credit Suisse	0.877
Thusing-Berwalt'schaft	10	1995	–	(6¾)	(100)	Fintrinex	*
Galactic Resources §	50	1995	–	5¾	100	Banque Indosuez	*
Interfinco (Lux) §	50	1992	–	(2½)	(100)	Warburg Soditic	*
Belgium **ф‡	50	1993	–	3	100	Credit Suisse	3.000
Taiyo Sanso **¶	50	1992	–	(1¼)	*	Credit Suisse	*
STERLING							
Blue Circle Ind. §‡	60	2002	15	6⅞	100	Baring Brothers	6.875
ECUs							
St. Gobain Neth'lands ф‡	75	1992	5	4½	100	Salomon Brothers	4.500
LUXEMBOURG FRANCS							
Union Bk of Norway **‡	300	1992	5	7⅜	100¼	Kredietbank Int.	7.314
YEN							
Lions 2 Ltd. ‡	17bn	1992	5	0	82¼	Nomura Int.	3.985
ENEL ‡	15bn	1994	7	4¾	101⅞	IBJ Int.	4.433
UBS Finance ‡	15bn	1992	5	4⅜	101⅛	UBS (Secs)	4.010
Ind. Bank of Japan ‡	30bn	1997	10	4¾	101⅜	IBJ Int.	4.575
DnC Int. Finance ‡	20bn	1992	5	4½	102	Nikko Secs (Europe)	4.050
Credit National ‡	15bn	1992	5	4⅜	102¼	Daiwa/Mitsui Trust	3.872

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ф With gold warrants. § Currency-linked. § Convertible. (a) Gold backed convertible with warrants. (b) With warrants-linked to New York Major Market Index. (c) 1/16 over 6m Libor, launched in Asia. (d) ½ over 3m Libor, linked to Fed. Home Loan Mortgage Corp. 11½% securities. Note: Yields are calculated on AIBD basis.

Japan Air Lines faces heavy forex losses

BY YOKO SHIBATA IN TOKYO

JAPAN AIR LINES, the national flag carrier which is due to be fully privatised in the current fiscal year, is facing heavy losses on foreign exchange if the dollar remains on a downtrend.

The losses stem from forward exchange contracts which the airline concluded with banks around the summer of 1985 for buying about $300m every year at an average of Y185 for an 11-year period from fiscal 1986 to 1996 (totalling $3.6bn). For instance, the fiscal 1987 forward dollar contract would generate Y16bn in exchange losses if the US currency remains at the present historically low levels of Y140 to Y145.

At the time when the contracts were concluded in the years of Mr Yasumoto Takagi, former JAL president, the dollar was trading as high as Y240. However, contrary to the predictions of many economists, it started falling against the yen and other major currencies following the Group of Five agreement in New York in September 1985.

JAL, now one-third owned by the government, will be completely denationalised within the current fiscal year, maybe this July. JAL shares fell Y800 to Y16,200 yesterday.

The exchange contracts have already been counted in JAL's mid-term business programme drawn up last February. JAL is understood to be using the money for purchasing aircraft and components and will not write down the exchange loss.

For the current fiscal year ending March 1988, JAL hopes to resume dividend payments at a rate of 6 per cent and to increase the rate to 8 per cent in 1988-89.

Japan's Transport Ministry is taking a serious view of the foreign exchange situation, and has urged JAL to present a report on its foreign exchange positions. The issue will be taken up at the floor of the Diet (parliament).

A senior JAL official yesterday called the contracts a sort of insurance designed to minimise the effect of currency fluctuations.

Study group for Japanese CP

BY OUR TOKYO CORRESPONDENT

JAPAN'S Ministry of Finance is to form an advisory group of outside financial experts and academics to hear their views on its scheme to create a commercial paper (CP) market in Japan this October.

The study group, to be set up as an advisory body to the ministry's banking and securities bureaux, will have its first meeting on Thursday to work out details, such as the number of qualified CP issuers, issuance limits, investor protection and settlement methods.

The ministry has already formulated outline rules for the domestic commercial paper market. Banks and securities houses will be allowed to underwrite and sell commercial paper and new instruments will be treated legally as commercial bills.

Maturities will be one month to less than six months. The minimum sales unit will be fixed at Y100m. Issuers' eligibility will initially rely on qualification standards for domestic unsecured bonds.

About 170 corporations are qualified to issue domestic unsecured straight bonds at present. Excluding about 40 blue-chip corporations such as Nippon Telegraph and Telephone (NTT) and nine power companies, about 130 companies will be required to set up a "back-up line" under which banks will extend loans to the issuing corporation if it fails to redeem its commercial paper.

KLSE in broking licence protest

BY WONG SULONG IN KUALA LUMPUR

THE KUALA LUMPUR Stock Exchange (KLSE) has sent a memorandum to the Malaysian Finance Ministry, protesting against a purported move to grant full broking licences to local banks.

The memorandum follows reports that the ministry was considering giving full broking licences to the country's three largest banks, Bank Bumiputra, Malaysian Banking and United Malayan Banking Corporation. Malayan Banking has confirmed it has submitted an application for such a licence.

At the same time, Public Bank, the fourth largest, is reported to have halted discussions to buy a 61 per cent stake in a broking firm to await the outcome of the Malayan Banking application.

In its memorandum, the KLSE said the move was contrary to the recommendations of the task force on the corporatisation of the local securities industry, set up in 1985, which recommended that local banks and foreign broking companies be allowed to participate in the KLSE but through partnerships with existing local broking firms.

Under the amendments to the Securities Industry Act in 1984, the Finance Minister is empowered to grant broking licences to persons or institutions whom he considers to be competent.

So far, only one bank, Arab-Malaysian Merchant Bank, has taken a 61 per cent in Kris Securities (since renamed Arab-Malaysian Securities) for a reported price of 3.5m ringgit (US$1.4m).

Another financial institution, Hong Leong Credit, is awaiting ministry approval for its acquisition of a 61 per cent stake in Zalik Securities for 4m ringgit.

Hong Kong-based W. I. Carr has acquired a 30 per cent stake in Seagroat and Campbell for HK$15m.

Local stockbrokers fear the granting of full licences to banks would devalue their seats on the exchange, and they would lose business to the banks.

Brierley expands interests in gas

By Dai Hayward in Wellington

MR RON BRIERLEY, the New Zealand entrepreneur, is poised to become the dominant force in New Zealand's gas distribution sector and to expand into new areas of gas utilisation in both New Zealand and China.

Welgas Holdings, the franchise supplier of natural gas to Wellington City and a 56 per cent-owned subsidiary of Brierley Investments (BIL), has made full bids for Aukland Gas and East Gas, of which it already owns 44 per cent and 54 per cent respectively. The companies distribute gas throughout Auckland City and the east coast of the North Island.

Between them, the three privately owned utilities provide 38 per cent of the total natural gas used in the retail sector. Welgas is already the major New Zealand supplier of gas in the private sector.

The bids, which seem likely to succeed, would create a major marketing distribution network controlling 13 utility organisations with supply franchises throughout the North Island. In the South Island, which has no natural gas distribution pipeline, BIL is also involved in the supply of liquid petroleum gas.

Bil is clearly preparing for the deregulation of the oil industry and also to take advantage of the current restructuring of New Zealand's electricity and coal industries as a result of the government turning these over to state-owned corporations. Mr Derek Johnston, Welgas managing director, says the merger will not only help natural gas compete more effectively in the overall energy sector but will strengthen the group's availability to develop technical and marketing abilities.

Last month, Welgas signed a contract to help develop a large natural gas field in China. The Chinese are anxious to develop natural gas as a fuel for cars, trucks and road transport vehicles. Welgas will provide most of the expertise and New Zealand-made equipment to build a large compressed natural gas (CNG) refuelling station in Chengdu, the capital of Sichuan Province. This will be the first public CNG station in China.

UK COMPANY NEWS

Richard Tomkins looks at the shrinking computer leasing sector

Comcap rows in for Atlantic survival

THE stock market's displeasure can be a fearsome force. Look what it has done to the computer leasing sector: never very big, with a maximum membership of five, it has now shrunk to the point where it barely exists at all.

In the last six months Dataserv has been taken over by BellSouth of the US, United Leasing has agreed to a bid from Inspectorate of Switzerland, and Comcap has succumbed to a merger with Atlantic Computers. Once these deals are signed, Atlantic and IBL will be the only independently-quoted survivors.

The story of the computer leasing sector is a short one. It goes back only as far as 1983, when United became the first of the five to seek a quotation.

United had a bumpy path to the market. Its offer for sale was badly undersubscribed, largely because it managed to fall out with its merchant bank advisers, Hill Samuel, just days before the flotation.

The company's debut was also marred by memories of the heavy losses sustained by the Lloyd's insurance market through the collapse of ITEL, the US computer leasing company, a few years earlier. Lloyd's lost money because it had insured part of the residual (second-hand) value of ITEL's machines.

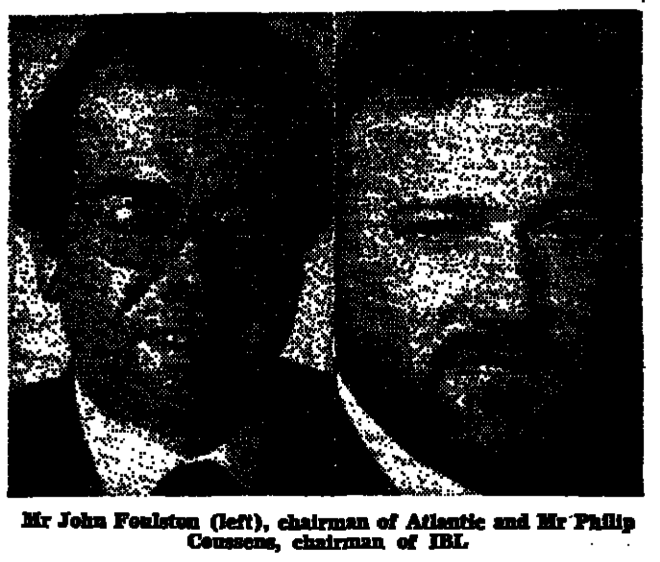
In spite of these initial reservations, United's share price soon began to pick up, and by the end of the year the company had been joined on the stock market by Atlantic and Dataserv. Comcap followed in May 1984 and IBL in June 1985.

In a sense, it was the very emergence of this new stock market sector that was to prove its undoing. One computer lessor alone might have attracted little attention from stockbrokers' analysts, but five of them together provided an interesting sector for study—and the more the analysts looked at it, the less they liked what they saw.

At the core of their concern was those residual values, and the question of just how much of the companies' profits were "real."

Computer lessors lease out IBM mainframe computers and peripherals to end-users. This is a tough business and lessors have to offer very competitive terms to win market share.

These terms can be so fine that they leave little scope for profit on the lease itself.



Mr John Foulston (left), chairman of Atlantic and Mr Philip Coussens, chairman of IBL

Instead, lessors rely on what they can get out of the equipment when it reverts to them at the end of the lease, either by selling it or leasing it on to another customer.

There is nothing wrong with that. What upsets the City is when lessors take in this residual profit by setting it off against the cost of sales at the time the equipment first goes out on lease, rather than when it is actually realised in cash. This boosts pre-tax profits in a way which rests on the risky assumption that the residual value will not suddenly be eroded by technological obsolescence or a bout of price-cutting in the meantime.

The lessors were not all criticised equally. Their accounting policies varied: Comcap, in particular, was regarded as being the most conservative of the five. Dataserv, too, was favoured for its increasing diversification into computer maintenance but the lofty share price ratings the five had enjoyed up until 1985 were already becoming a fond memory.

Worse was to come. In June last year IBL produced its much-delayed figures for 1985 showing that profits had fallen from £7.5m to £6m—about half the figure the City had been led to expect. Just six weeks later, United Leasing reported an equally horrifying downturn from £5.3m to £4.4m.

Ironically, neither of these setbacks had anything to do with the over-estimation of residual values: IBL had heavy losses in France and United suffered a hiatus in US orders.

The blow to confidence—and to share price ratings—was severe.

This mattered because computer leasing is a cash-absorbent business, requiring heavy investment up front to produce long-term returns over the length of a lease. With confidence undermined and share prices in tatters, access to bank borrowing and equity finance became increasingly difficult.

The first companies to go were the most heavily debt laden. Dataserv agreed to a takeover by BellSouth of the US last November, and United accepted a bid from Inspectorate of Switzerland at the beginning of this month. Both said they did not have the capital base to carry on alone.

Then on April 9, Comcap agreed to a bid from the much larger Atlantic. Comcap was not in a cash crisis, but it was probably beginning to look a little too small to survive the concentration of forces among the other players.

The merger also provided a convenient exit for Comcap's majority shareholder, 62 year-old non-executive chairman Mr Ernst Schneider, whose family interests stand to pick up over £6m in cash and £20m worth of Atlantic shares as part of the deal.

So what of the sector's survivors—Atlantic itself, and IBL?

Certainly the Comcap deal looks good for Atlantic. Up till now, much of Atlantic's business has been in Britain. The merger with Comcap will turn the combined group into a significant force in virtually every European country.

Further, Atlantic's much-vaunted decision to become a born-again Comcap by eliminating residual values from its profit and loss account has added to its City credibility.

This does not mean that reservations about Atlantic have been entirely dissipated. Some argue that the residuals may have gone but the company is still depreciating its assets to zero over a period of five years. If a computer should become overtaken by technological obsolence in less time than that, its book value will be higher than its real value and the difference will have to be written off.

Set against that is the reputation of Atlantic's chairman Mr John Foulston, a man whom some hold in awe.

"He's the sort of person I'm delighted to have my money with, but I'd hate to have him for my boss," says one observer.

"He's very demanding to work for. There's a certain streak of ruthlessness in him, which is why that company is where it is today. He has that ability to go straight for the jugular."

Even so, Atlantic is still on a prospective price/earnings multiple of only 12, a figure reflecting the continuing controversy about the quality of its earnings.

IBL, meanwhile, is still taking residuals into profit, but claims that it does so on such a conservative basis that the figures would go up rather than down if restated according to the Atlantic methods.

IBL's shares have seen some recovery in the last few months but are still tainted by the 1985 downturn, and some of today's price reflects speculation that it, too, might succumb to a bid. Its figures for 1986 are due out in the next week or so and are likely to attract a good deal of attention for what they say about its cash position.

But Mr Philip Coussens, IBL's chairman, is adamant that the company is not about to yield its independence—least of all to Atlantic. IBL is much bigger than Comcap, he says, and the merger would provide too much duplication to make obvious sense.

"In any case," Mr Coussins says, "John Foulston is a nice guy, but there is only room for one man at the top, and somehow I just can't see him stepping down."

New meeting called in battle for Bremner

By Martin Dickson

THE long-running battle for control of Bremner, the Glasgow-based property business, intensified over Easter when a dissident shareholder linked to City and Westminster Financial applied for a new extraordinary meeting to vote six of its nominees onto the board, and three of the five existing directors off.

The move follows a decision last Thursday by the Edinburgh Court of Session to remove voting restrictions it imposed on a block of Bremner shares, representing 25 per cent of the equity, held by Malaga Investments, which is linked to CWF, a corporate finance house headed by Mr Andrew Greystoke.

In March, CWF attempted to unseat Mr James Rowland-Jones at an egm, but he saw off the challenge by obtaining an injunction preventing the Malaga shares from voting for the motion.

In lifting this restriction last week, the Court also granted an order restraining the Bremner board from selling the group's Glasgow store. But Mr Rowland-Jones said yesterday that this was of little relevance since the group could never sell the store without an egm anyway.

At Mr Rowland-Jones' request, Department of Trade inspectors are currently investigating transactions in the company's shares.

Beazer plans to go ahead with US share issue

BY MARTIN DICKSON

C. H. Beazer, the acquisitive building group, is planning to press ahead with an issue of shares in the US—despite mounting institutional disquiet about overseas equity offerings—but may scale down the size of the issue in an attempt to defuse shareholder opposition.

Beazer is due to ask shareholders next Monday to approve an issue of shares, raising about £80m, in the form of American Depositary Receipts (ADRs).

But it now finds itself at the centre of a campaign by certain major City institutions to maintain the principle of pre-emptive rights — the rights of existing shareholders to have first refusal of any shares on offer so that their stake in the company is not diluted.

The campaign claimed its first major victim last week when Fisons, the pharmaceutical and scientific equipment group, called off a £110m placing of shares among overseas investors. The 18m shares involved represented 7.4 per cent of Fisons' existing share capital and 5.5 per cent of the authorised. Institutional guidelines suggest that companies can make occasional issues of under 6.67 per cent of issued and 5 per cent of authorised.

Tomorrow Barclays will seek shareholders' approval for an equity offering, worth about £215m, in Japan and the US representing 4.7 per cent of the company's authorised share capital. There is some institutional grumbling about this, but it seems likely to face less opposition than the Fisons or Beazer issues, since it comes within the guidelines.

Beazer's ADR offering covers at least 30m shares, some 11 per cent of its issued share capital, though the American underwriters can place a further 4.5m, bringing the total up to 13 per cent of the issued share capital.

Prudential Assurance, which holds 7 per cent of Beazer's equity, is understood to be strongly opposed to the scheme. Today Beazer will be seeking to arrange a meeting with it and other major institutional shareholders to try to find an acceptable compromise.

One tactic under consideration is to scale down the offering, perhaps to around 5 per cent of authorised share capital.

Charterhall agrees terms for CNA bid

Charterhall, an investment holding company with interests in oil and natural gas exploration and production as well as mineral exploration, has agreed terms to acquire the 41 per cent of Charterhall North America it does not already own.

Terms are one four Charterhall new ordinary for every one share of CNA and one new share for every CNA subscription warrant.

Independent directors of CNA and its financial advisors consider the terms reasonable and recommend acceptance.

Assuming full acceptance of the offers, and that no holders of the warrants exercise their right to subscvribe for CNA ordinaries, a maximum 11.57m new Charterhall ordinary would be issued (8.6 per cent of the company's enlarged share capital).

If all holders of the warrants, other than those who have undertaken to accept the warrant offer, exercised their rights to subscribe for CNA ordinary and accepted the share offer a further 1.02m new Charterhall ordinary would be issued—a total of 9.3 per cent of the enlarged capital.

Disappointing year at Spear

J. W. SPEAR, the toys and games manufacturer, reported a sharp fall in pre-tax profits, from £884,000 to £511,000 for 1986 despite an increase from £9.63m to £9.92m in sales.

The company had reported a loss of £80,000 at the interim stage, but because of the highly seasonal nature of the trade Mr Francis Spear, chairman, said that result should not be taken as an indication of the outcome for the year.

Commenting on the out-turn for 1986, he said that the results proved to be somewhat disappointing as certain new products failed to perform to budgeted levels with the result that increased development and marketing expenditure was not matched by a corresponding increase in sales.

Mr Spear continued that although in 1987 the company would be placing a greater emphasis on its traditional products, it would also pursue major new products that fitted well into the range.

The board's aim for 1987 was to restore profitability at least to the 1985 level.

Stated earnings per share were 7.33p (12.34p) for the maintained 6p dividend.

Baldwin change

Baldwin, an investment, property and concrete-making group, appears likely to undergo a change of management.

A consortium represented by Mr Trevor Brentnall, a solicitor, has negotiated an option to buy 65.8 per cent of the company's equity from existing shareholders at 100p a share and to retain 26.8 per cent after placing the balance in the market.

As part of the deal, three of Baldwin's directors — Mr Stephen Kaye, Mr Martin Moir and Miss Kaye Parkes—will step down, to be replaced by three consortium members—Mr Brentnall, Mr Colin Gervaise-Brazier and Mr Guy Askham.

FINANCIAL TIMES STOCK INDICES

	Apr. 16	Apr. 15	Apr. 14	Apr. 13	Apr. 10	Apr. 9	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.36	89.89	89.46	89.89	89.68	90.55	92.19	84.49	127.4	49.18
Fixed Interest	96.83	96.55	96.13	96.31	96.97	97.11	97.98	90.23	150.4	50.53
Ordinary	1540.3	1515.1	1506.7	1512.4	1523.8	1546.2	1625.2	1320.2	1625.2	49.4
Gold Mines	444.5	479.9	485.0	483.8	470.4	441.2	485.0	288.2	734.7	43.5
FT-Act All Share	979.12	966.35	960.35	964.66	974.45	986.51	1026.58	835.48	1026.58	61.92
FT-SE 100	1949.4	1922.2	1908.9	1917.1	1936.7	1962.8	2056.2	1680.0	2056.2	986.9

UK COMPANY NEWS

Alice Rawsthorn on the rise of Select agency

Going public in face of the jobs revolution

"THERE has been a revolution in the jobs market," said Mr Robert Klapp. "Employers have learnt the lessons of the recession. Never again will they run the risk of being caught with falling order books and employees they cannot lay off. Temporary employment is here to stay."

In the 1980s the dole queues may have grown longer and longer but temporary employment has boomed.

"Flexibility," as it is euphemistically called, has become part and parcel of the employment market. In almost every area of industry employers have drafted in contract, seasonal and temporary workers and a new industry of employment agencies has sprung up to supply them.

Select Appointments, the company of which Mr Klapp is chairman and managing director, is one of the beneficiaries of this trend. In little more than three years Select has

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turned from a small business with two employment agencies into a network of 24 agencies in southern England with interests in the US and France. On Friday it will go public on the USM.

The development of Select dates back to 1981 when Mr Klapp's wife, Marianna, set up an employment agency in Sussex. The employment industry was then at the nadir of its fortunes.

In the ravages of the recession few employers could afford to fill vacancies, let alone create new jobs. But the

Mr Robert Klapp, chairman and managing director of Select

Select's expansion began in late 1983 when Mr Klapp gave up his job as managing director of Reliance, a private employment agency later taken over by Blue Arrow, to join his wife's business.

The business was then composed of two agencies, in Crawley and Milton Keynes. Mr Klapp secured £403,000 from the Business Expansion Scheme by joining the Electra BES fund.

Since then, Select has expanded rapidly, offering a temporary supply and permanent recruitment service to employers. Mr Klapp maintains that the employment industry has traditionally made the mistake of jeopardising the quality of its service in favour of chasing quantity of sales. Select has aimed, he says, to reverse that pattern through rigorous scrutiny of its "employees" and close liaison with clients.

Last year Select decided to prepare for a public flotation and to expand overseas, in an attempt to counter a future downturn in domestic demand by diversifying into other economies. Neither course of action was feasible under the BES. Select bought itself out, becoming the first company to do so. It paid £1.8m for the 48 per cent of its equity that Electra had acquired for £403,000 two years previously.

Select has since acquired two agencies in France, in Paris and Bourdeaux, and one in New York, to form a base for its US expansion. In the last financial year, to April 5, it produced pre-tax profits of at least £1m on turnover of £10m.

After its placing, through Kleinwort Grieveson on Friday, it will be valued at around £12m with a p/e in the high

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teens. After the flotation, Select will concentrate on accelerating its international expansion and diversifying into "niche" areas of the domestic industry.

The closest comparable company to Select is Blue Arrow, the group which gobbled up Mr Klapp's old employers. Yet he is quite content with the comparison. Blue Arrow has been one of the USM's most conspicuous successes, fuelled by the boom in "flexibility" its capitalisation has soared from £3m to more than £250m in just four years.

Cambridge Isotope ready to join USM

By Graham Deller

Cambridge Isotope Laboratories (CIL), a high-technology US company specialising in non-radioactive isotopes and associated chemical compounds, is coming to the USM later this month via a placing of 2.79m shares at 55p which will value it at £7.08m.

CIL, based in Woburn, Massachusetts, was founded in 1981 and now employs 26 people. Its products are utilised by industrial laboratories, medical, government and academic research centres and health care facilities.

The majority of business, accounting for some 82 per cent of turnover, is in the US. Dr Joel Bradley, President and chief executive, said the placing was intended to provide a launching pad for further penetration into Western European

Proceeds of the placing would be used partly to fund the construction of a plant for the separation of Carbon-13, a rare stable isotope of Carbon, the purchase of which currently represented a sizeable percentage of CIL's expenditure on raw materials.

In the year to November 1986, CIL achieved pre-tax profits of $789,000 on a turnover of $3.36m. The directors estimated that taxable profits for 1987 would not be less than $1.35m, which on a notional tax charge of 45 per cent would produce a prospective p/e multiple of 14.7.

Dealings are expected to commence on April 27. The placing is sponsored by Quilter & Co.

Transactions delay causes fall at Hyman

A FURTHER fall in profits in the second half of 1986 has left Hyman, Oldham-based polyurethane foam convertor and manufacturer, with profits down to £1.6m for the year against a previous £1.88m.

In the interim statement the chairman said that subject to concluding negotiations for the sale of technology, it was expected that profits for the full year would show an increase over 1985.

However, the transactions were not concluded until January, and consequently, the first quarter of 1987 will benefit from that profit contribution.

The corresponding shortfall for 1986 was also augmented by a disappointing second half in the furniture division, and the cost of developing the roll-sponge project.

The directors are recommending an unchanged 0.75p final, however, which will maintain the total for the year at 1.5p. Earnings per 5p share fell from 3.54p to 3.49p.

They said the 1986 figures did not consolidate the accounts of Somercel, sold last November, with effect from January 1 1986. Those accounts would show a pre-tax loss for the period to the date of sale, of about £340,000.

Turnover for the year rose by 5 per cent to £36.37m (£34.64m), and at the operating level profits were £2.12m (£2.38m).

Profits of the related company, Slumberland, in which Hyman has a 20 per cent interest, were slightly lower at £84,550 (£88,658). Interest payable, less receivable amounted to £601,927 (£589,489).

The tax charge fell to £552,987 (£853,712). Minorities took more at £26,217 (£19,578), and there was an extraordinary debit of £212,849 (credit £29,978), relating principally to goodwill written off.

Belgrave

Following the £35m bid for Belgrave Holdings from the Rabheru family-owned Precis, merchant bank PK English Trust purchased 735,000 (4.93 per cent) at 225p and 900,945 (6.03 per cent) at 225½p on Wednesday. English Trust is acting in concert with Precis—the all cash offer is 235p a share. In addition investment clients of the bank purchased 650,000 shares at 225p on the same day.

BOARD MEETINGS

TODAY

Interim: Cosalt.

Finals: Capital and Regional Properties, EIS Group, Edinburgh Investment Trust, First Charlotte Assets Trust, London United Investments, Tv Am.

FUTURE DATES

Interims—	
Arbuthnot Yen Bond Fund	Apr 30
British Assets Trust	Apr 24
Futura	Apr 24
Kayside Investment	Apr 22
Finals—	
Ambrose Investment Trust	May 5
British Island Airways	Apr 24
C.I. Group	Apr 30
Clayton, Son and Co.	Apr 24
Costain	Apr 28
Deritend Stamping	May 21
Falcon Industries	Apr 24
Hopkinsons	May 5
Marks and Spencer	May 6
Martin (Ronald)	Apr 27
Micro Focus	Apr 22
Northern Foods	*June 16
Pledgnum	Apr 23
Shiloh	Apr 29

* Amended.

WORLD MARKETS

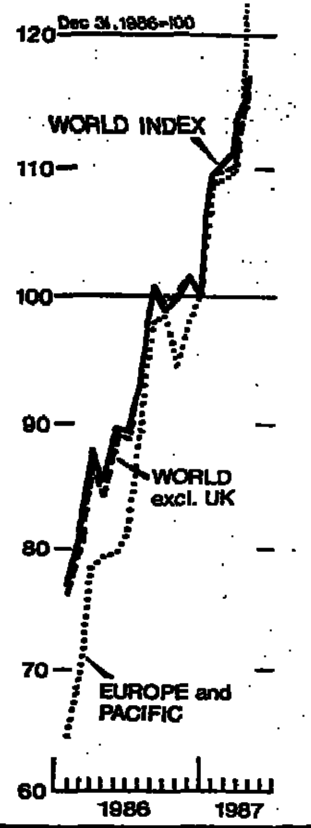
FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY APRIL 17 1987 — US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX — 1987 High	1987 Low	Year ago (approx)
Australia (94)	134.48	+0.0	122.24	125.13	2.89	134.48	99.92	93.69
Austria (16)	92.54	+0.0	84.12	87.01	2.14	101.62	91.97	83.34
Belgium (47)	118.09	+0.0	107.34	110.08	4.27	120.40	96.19	79.07
Canada (131)	130.73	+0.0	118.83	124.81	2.23	136.17	100.00	100.24
Denmark (39)	112.45	+0.0	102.22	105.15	2.40	124.10	98.18	108.32
France (122)	118.60	+0.0	107.80	112.04	2.35	120.79	98.39	84.83
West Germany (90)	93.90	+0.0	85.35	88.41	2.11	100.33	84.00	95.36
Hong Kong (45)	103.13	+0.1	93.75	103.31	3.17	114.71	96.89	73.93
Ireland (14)	118.17	+0.0	107.42	113.01	3.76	131.44	99.50	91.63
Italy (76)	108.97	+0.7	99.06	105.03	1.55	108.97	94.76	86.95
Japan (458)	156.19	+1.4	141.98	141.13	0.46	156.19	100.00	69.53
Malaysia (36)	147.19	+0.4	133.80	140.73	2.72	147.19	98.24	71.94
Mexico (14)	159.57	+0.0	145.05	201.07	1.01	159.57	99.72	53.71
Netherland (38)	115.49	+0.0	104.98	107.67	4.11	118.24	99.65	88.46
New Zealand (27)	96.05	+0.0	87.30	87.90	3.08	100.59	83.93	66.27
Norway (25)	130.14	+0.0	118.30	120.34	1.97	131.74	100.00	104.40
Singapore (27)	120.86	+0.1	109.86	118.88	1.98	122.51	99.29	58.02
South Africa (61)	174.37	+0.0	158.50	120.07	3.31	186.74	100.00	101.01
Spain (43)	115.03	+0.0	104.56	110.93	3.27	121.31	100.00	77.60
Sweden (33)	118.64	+0.0	107.84	111.00	2.07	118.64	90.85	92.60
Switzerland (51)	97.76	+0.0	88.86	90.42	1.90	104.06	93.26	85.00
United Kingdom (342)	128.75	+0.0	117.03	117.03	3.57	133.88	99.65	102.41
USA (598)	117.68	+0.0	106.97	117.68	3.12	124.06	100.00	102.19
Europe (936)	114.81	+0.1	104.36	106.50	2.92	115.20	99.78	94.13
Pacific Basin (687)	153.41	+1.3	139.45	139.18	0.61	153.41	100.00	70.43
Euro-Pacific (1623)	138.01	+0.9	125.45	126.18	1.38	138.01	100.00	79.77
North America (729)	118.37	+0.0	107.60	118.08	3.07	124.60	100.00	102.09
World Ex. US (1829)	138.15	+0.8	125.58	126.17	1.43	138.15	100.00	80.70
World Ex. UK (2085)	130.29	+0.6	118.44	123.82	1.88	130.29	100.00	87.89
World Ex. So. Af. (2366)	129.86	+0.5	118.05	123.17	2.02	129.86	100.00	89.05
World Ex. Japan (1969)	117.78	+0.0	107.06	114.14	3.02	121.08	100.00	98.50
The World Index (2427)	130.15	+0.5	118.31	123.17	2.03	130.15	100.00	89.13

Base values: Dec 31, 1986 = 100

FT-ACTUARIES WORLD INDICES



EUROPEAN OPTIONS EXCHANGE

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TOTAL VOLUME IN CONTRACTS: 38,600

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	10
Adam & Company	10
Allied Arab Bk Ltd	10
Allied Dunbar & Co	10
Allied Irish Bank	10
American Exp. Bk	10
Amro Bank	10
Henry Ansbacher	10
ANZ Banking Group	10
Associates Cap Corp	11
Authority & Co Ltd	10½
Banco de Bilbao	10
Bank Hapoalim	10
Bank Leumi (UK)	10
Bank Credit & Comm	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Tst Ltd	10
Beneficial Trust Ltd	11
Berliner Bank AG	10
Brit. Bk. of Mid. East	10
Brown Shipley	10
Business Mortgage Tst	10
CL Bank Nederland	10
Canada Permanent	10
Cayzer Ltd	10
● Charterhouse Bank	10
Citibank NA	10
Citibank Savings	¶12.45
City Merchants Bank	10
Clydesdale Bank	10
Comm. Bk. N. East	10
Consolidated Cred	10
★ Co-operative Bank	10
Cyprus Popular Bk	10
Duncan Lawrie	10
E. T. Trust	11
Equatorial Tst C'p plc	10
Exeter Trust Ltd	10½
Financial & Gen. Sec	10
First Nat. Fin. Corp	11
First Nat. Sec. Ltd	11
● Robert Fleming & Co	10
Robert Fraser & Ptrs	11½
Grindlays Bank	‡10
● Guinness Mahon	10
HFC Trust & Savings	10
● Hambros Bank	10
Heritable & Gen. Tst	10
● Hill Samuel	§10
C. Hoare & Co	10
Hongkong & Shangh'	10
Lloyds Bank	10
Mase Westpac Ltd	10
Meghraj & Sons Ltd	10
Midland Bank	10
● Morgan Grenfell	10
Mat Credit Corp. Ltd	10
Nat. Bk. of Kuwait	10
National Girobank	10
Nat Westminster	10
Northern Bank Ltd	10
† Norwich Gen. Trust	10
PK Finans. Intl (UK)	10½
Provincial Trust Ltd	11
R. Raphael & Sons	10
Roxburghe G'rantee	10½
Royal Bk of Scotland	10
Royal Trust Bank	10
Smith & Williamson Secs	10
Standard Chartered	10
Trustee Savings Bk	10
UDT Mortgage Exp	¶11.1
United Bk of Kuwait	10
United Mizrahi Bank	10
Unity Trust PLC	9½
Westpac B'nking Corp	10
Whiteaway Laidlaw	10½
Yorkshire Bank	10

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Sureswise 8.09%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¼% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or —	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	15/4	180	160	Admiral Comp'ting 5p	173	—	u2.15	3.6	1.7	22.6
§180	F.P.	15/5	201	189	Airsours 10p	189	–1	R5.4	2.5	4.0	13.8
§215	F.P.	—	380	272	Barbour Index	360	+2	R4.0	3.1	1.6	29.2
§115	F.P.	—	135	128	Bellwinch 10p	135	—	R3.2	3.7	3.4	11.0
§115	F.P.	—	140	133	Brook Service Group	140	+4	L3.8	2.2	3.7	15.3
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised divident, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ε Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,307

TANTALUS

ACROSS

1 Boy goes back with girl—shame! (8)
5 Crab after this could cause pain (6)
9 Deranged and took off door (8)
10 Roar when Warrant Officer comes back after end of round? (6)
12 Somewhat slow lot gather uncertainly (9)
13 and 26 down Are you heard in this game? (5-5)
14 Ambassador enters extremely solid outhouse (4)
16 Dearest form of platform (7)
19 For each entering Rome building, a monarch appears (7)
21 Same opening of sordid serial—go to bed! (4)
24 Conscious of a Herts. town (5)
25 After University, coming to claim (9)
27 Imagine fish had something to eat (6)
28 Government, Turkey's first under a Colonel (8)
29 Porter delivered from brewery intact (6)
30 Phaetons cannibalised to make another carriage (8)

DOWN

1 and 17 Not unpleasant for example (6, 8)
2 Odds on present being a globe (6)
3 Hurried with companion to stock-farm (5)
4 Talk about English! Journalist deceived (7)
6 Paramour loses head and values—values too highly (9)
7 Fat allowed to rise—get the message? (8)
8 One who has just joined a Union? (5-3)
11 Noticed so to speak it is tender (4)
15 Heard to share equally broken rest with farmworker (9)
17 See 1.
18 A quiet relative is conspicuous (8)
20 Some extraordinary people have a ptarmigan (4)
21 Downward slope is passable round pole (7)
22 Look fixedly old chap—there's a belvedere (6)
23 Irritate initially—no-one even thought they looked enraged (6)
26 See 13 across.

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc.	271.4	288.7	+2.1	5.11
(Accum Units)	336.3	357.7	+2.6	5.11
UK Growth	334.6	355.9	+2.6	2.64
(Accum Units)	356.4	379.1	+2.7	2.64

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	39.5	41.9	+0.2	1.79
MLA Income Trust	53.7	56.9	+0.2	3.96
MLA Int.	61.1	64.7	+0.4	0.82
MLA Gilt Unit Tst	25.6	26.1	+0.1	10.00
MLA European Trust	35.1	37.3	+0.1	0.67
MLA American Tst	26.8	28.4	+0.4	0.89
MLA Emerging Mkts. Tst	23.9	25.3	+0.1	0.70

Manulife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	117.3	121.4	—	7.17
Growth Units	96.5	102.5	—	2.62
High Income Unit	135.5	144.0	—	3.93
High Yielding Gilt Uts	61.1	61.3	—	8.01
Intl Growth Unit Tst	154.3	163.9	—	0.38
UK Smaller Cos.	108.7	115.5	—	1.38
North American	80.7	85.9	—	0.42
Far East	138.5	147.3	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	296.0	314.9	—	3.55
General April 13	231.5	246.4	—	1.99
International April 13	155.0	164.9	—	0.64
Global Inc Fd April 13	48.6	51.7	—	5.06

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	164.5	173.0	+1.4	4.18

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	300.9	321.3	+3.2	0.97
Income	223.3	237.9	+1.7	3.68
Worldwide Recovery	164.5	175.6	+2.3	1.63
American Growth	72.9	77.9	+1.0	0.90
Intl. Emerging Cos.	91.2	97.5	+0.8	0.49
Far East Growth Fd.	98.5	105.0	+0.7	0.75
European Growth Fd.	64.4	68.8	+0.3	1.03

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	58.0	61.8	—	3.04
Prolific C'vert & Gilt	115.9	123.4	—	4.77
Prolific Euro Gth&Inc	50.8	54.1	—	2.62
Prolific Extra Inc	113.5	121.2	—	3.62
Prolific Far East	208.8	223.4	—	—
Prolific High Inc	77.8	82.4	—	3.37
Prolific Intl	142.9	152.1	—	2.85
Prolific N. Amer.	130.8	139.9	—	—
Prolific Spec. Sits	93.2	99.7	—	0.65
Prolific Technology	139.4	148.3	—	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	98.7	105.0	+1.9	0.00
Japan Acc.	98.8	105.2	+1.9	0.00
Worldwide Inc.	77.0	82.3	+0.8	1.10
Worldwide Acc.	78.4	83.0	+0.9	1.10
European Tst Inc	94.9	101.0	+0.4	0.34
European Tst Acc	95.5	101.7	+0.4	0.34
North American Inc	44.4	47.5	+1.1	1.26
North American Acc	64.2	68.4	+1.2	1.26
UK Equity Inc	79.1	84.2	+0.5	1.95
UK Equity Acc	82.6	87.9	+0.6	1.95
UK High Inc Eqty Inc	58.3	61.9	+0.5	4.93
UK High Inc Eqty Acc	59.3	63.1	+0.5	4.93
Hong Kong Trust	45.0	47.7	+0.4	0.38
Swiss Equities Trust	45.6	48.5	+0.1	1.90

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-668 3724

Peg Eq Acc.	323.4	344.2	+1.2	2.99
Peg Eq Inc.	274.6	292.2	+0.9	2.99
Peg High Inc Acc	148.9	158.4	+1.2	4.99
Peg High Inc.	142.1	151.3	+1.2	4.99
Peg Europe Acc.	153.3	163.2	+0.9	1.31
Peg Europe Inc.	152.1	161.9	+0.9	1.31
Peg N Amer.	107.0	113.9	+2.1	1.36
Peg N. Amer Inc.	106.2	113.0	+2.0	1.36
Peg Pacific Acc.	232.8	247.8	+4.5	—
Peg Global Acc.	140.1	149.1	+1.3	1.48
Peg Global Inc.	138.6	147.7	+1.3	1.48

Sentinel Funds Mngmt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Units	73.5	78.5	+0.8	—
Amer Tech & Gen Fd.	120.7	128.5	—	—
European Growth	42.1	44.9	—	—
European Income	57.0	60.7	-0.4	—
European Special Sits	—	25.0	—	—
Exempt	761.9	797.2	+4.24	—
Far East Emerg Econs	—	25.0	—	—
Intnl Growth Fd	50.6	53.9	—	—
International Income	61.9	65.9	-0.2	—
Jap Tech & Genl	130.7	139.2	+1.5	—
Pacific Fund	247.5	263.6	+1.1	—
Secure Income Fd.	206.2	219.6	+2.6	—
Small Co's Fd.	56.9	60.6	+0.6	—
Special Sits	293.0	312.0	+3.0	—
UK General Fund	44.2	47.2	+0.8	—
UK Top 100 Managed Fd.	—	25.0	—	—

Smith & Williamson Unit Trust Mngrs
1 Riding House St, London W1A 3AS. 01-637 5377

S & W America	163.5	173.1	—	0.3
S & W Smaller Secs	210.4	222.7	—	0.06

Standard Life Trust Mgmt. Ltd

Waverley Asset Management Ltd (a) (c) (z)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	53.8	57.2	-2.5	0.15
Pacific Basin	27.7	29.4	-0.4	1.70
Canadian Balanced Grwth	66.1	70.3	-1.2	0.00
Greater Man.	103.2	107.5		8.00

Wellington Fund Mngrs Ltd
145, Borough High St., London SE1 1HV 01-628 4011

Wellington Inc.	92.7	98.4	-1.6	3.70
Wellington Growth	105.0	111.8	-4.8	1.35

WestAven Unit Trust Managers Ltd(a)(c)(z)
9 Portland Square, Bristol BS2 8SS 0272 426431

British Smllr Co's	86.5	91.9	+0.3	1.1
British Growth	94.4	100.3	+0.7	1.5
British Income	80.0	85.0	+0.4	4.0
British Exyn Yield	57.0	60.6	+0.3	6.9

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Challenger Fund	50.9	51.2	—	2.08
Short Dtd Gilt Fd	72.2	73.4	—	0.6
U.S. Govmnt Bond Fd	50.500	0.529	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	77.6	82.6	+0.9	1.45
Growth Trust	76.7	81.7	—	1.47
Income Trust	73.4	78.3	+0.2	5.69

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	83.5	86.5	—	2.43

Weekly dealing day Tuesday

The Yorkshire General Trust

British National Life Assurance Co Ltd
Perrymount Road, Haywards Heath 0444 414111

Managed	273.8	275.6	-3.5	
International	280.5	295.2	-4.5	
Property	202.6	213.3	-1.3	
Equity	281.7	296.5	-2.2	
New Technology	172.8	181.9	-2.4	
American	114.8	120.4	-3.0	
Orient	108.2	113.9	+2.5	
European	95.9	100.9	-1.4	
Fixed Interest	150.4	158.3	-1.0	—
Deposit	125.6	132.3	+0.2	—
Managed Series 2	223.2	235.0	-3.5	—
International Series 2	279.9	294.6	-4.5	—
Equity Series 2	281.1	295.9	-2.2	—
Managed Pension Accum	293.8	309.3	-6.6	—
Managed Pension Cap	224.3	236.1	-5.4	—
Property Pens Accum	258.4	272.0	-2.3	—
Property Pens Cap	198.0	208.5	-2.0	—
Equity Pension Accum	367.3	386.7	-4.1	—
Equity Pension Cap	281.3	296.3	-3.4	—
New Tech Pens Accum	208.3	219.3	-5.1	—
New Tech Pens Cap	175.4	184.7	-4.2	—
Intl Pens Accum	387.5	407.9	-8.8	—
Intl Pens Cap	296.9	312.6	-7.1	—
Fixed Int Pens Accum	173.5	182.6	-1.0	—
Fixed Int Pens Cap	132.0	139.9	-1.0	—
Savory M Sthbriar Mngd	148.1	155.8	-1.6	—
Cabbold Sthbriar Mngd	140.8	148.7	-1.9	—
Anglian Fund	95.0	100.0	-0.8	—

CCL Assurance Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070
Life Funds

UK Equity	265.4	279.4	-3.4	—
American Equity	126.9	133.6	-7.1	—
Far East Equity	176.4	185.1	+2.6	—
Managed Fund Acc	402.0	423.1	-7.0	—
International Equity	178.2	187.9	-0.3	
Gilt Edged	210.2	221.7	-3.2	
Money Fund	147.4	155.5	+0.2	
CCL Henderson	170.6	179.9	-4.2	—
CCL Perpetual	206.5	217.8	-10.8	—
CCL Property	263.4	277.8	-1.4	—
Smaller Cos.	311.5	328.6	+1.8	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) April 8	309.0	325.5		
Fixed Intl(A&B) April 8	184.0	194.0		
Man Gwth (A&B) Apr 8	595.5	627.0		
Money Fd (A&B) April 1	145.5	153.5		
Cap Fd(A&B) Mar 15		463.0		
GAS Spec Fd(A&B) Mar 15		390.0		
FarEastEq(A&B) Apl 8	204.5	215.5		—
N.Amer Eqty(A&B) Apl 8	113.5	119.5		—
IntTechnl(A&B) Apl 8	162.5	171.5		—
Property (A&B) Apl 8	245.0	258.0		—
Managed Pension Fund	100.5	106.0		—
Equity Pension Fund	99.0	104.0		—
Fixed Int Pens Fd	98.0	103.5		—
Property Pens Fd	105.5	111.5		—
Money Pension Fd	95.0	100.5		—

Prices for other funds available on request

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63282

Ultimate Mngd Fund	211.2	222.3	—	—
Enterprise Mngd Fund	189.0	198.9	—	—
Pension Mngd Cap	64.2	67.6	—	—
Pension Mngd Acc	76.8	80.8	—	—
Active Sits Fd Life	102.6	108.0	—	—
Active Sits Fd Pen Cap	100.6	105.9	—	—
Active Sits Fd Pens Ac	97.6	102.7	—	—
World Opps Mngd Fd Life	96.5	101.6	—	—
World Opps Mngd Pens Cp	96.7	101.8	—	—
World Opps Mngd Pens Ac	96.2	101.3	—	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033
Life Funds

American Acc.	104.5	110.3	+1.2	—
Equity Acc.	445.4	468.8	+3.1	—
European Acc.	183.5	193.2	+0.7	—
Fixed Interest Acc.	241.3	254.2	+0.6	—
High Income Acc.	420.5	442.2	+4.3	—
Index Acc.	380.3	400.0	+3.9	—
Inv. Trust Acc.	459.3	483.4	+2.2	—

Gartmore Fund Managers Ltd
Salegard, underwritten by General Portfolio Life Ass. Valley Hse, Crossbrook St, Cheshunt, Herts EN8 8JH. Admin. 0992 31971, Inv 01-623 1212

Salegard Fund	24.4	26.1	-0.2

General Accident Linked Life Assurance(z)
2024 Addiscombe Rd, Croydon CR9 5BS 01-686 0411

Managed	125.6	132.2		—
UK Equity	161.9	170.4	+0.6	—
Fixed Interest	121.7	128.1	+1.6	—
Index-Linked	102.6	108.0	-0.3	—
Cash Deposit	109.0	114.7	—	—
Property	110.6	116.4	—	—
International	112.1	118.0	-0.5	—
American	91.3	96.1	-1.5	—
Japan	148.6	156.4	+0.9	—
Japan Smaller Co's	110.1	115.9	-1.3	—
European	107.4	113.1	-0.7	—
Pacific	96.9	102.0	-0.2	—
Pen Man Acc	138.2	145.5	+0.4	—
Pen UK Equity Acc	187.4	197.3	+0.9	—
Pen Fixed Int Acc	127.4	134.1	+1.7	—
Pen Ind-Linked Acc	106.6	112.3	-0.3	—
Pen Cash Dep Acc	117.1	123.3	—	—
Pen Prop Acc	116.6	122.7	—	—
Pen Inter Acc	130.0	136.8	-0.6	—
Pen American Acc	101.7	107.1	-2.3	—
Pen Japan Acc	170.7	180.1	+0.6	—
Pen Jap Sm Co's Acc	121.8	128.2	-1.9	—
Pen European Acc	117.3	123.5	-0.4	—
Pen Pacific	97.0	102.1	-0.3	—

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Hambro Generali UK Gth	127.5	134.3	—	—
Hambro Generali Ppty	145.9	153.6	—	—
Hambros Canadian	121.5	127.9	—	—
Hambros Equity Inc	141.7	149.2	—	—
Hambros European	124.6	131.2	—	—

Hill Samuel Life Assur.—Contd.

Guaranteed Ser Acc	125.1	131.7		—
Guaranteed Ser Cap	113.5	119.5		—
Equity Acc	639.6	673.3		—
Equity Cap	468.7	493.4		—
Equity Ser Acc	209.5	220.6		—
Equity Ser Cap	188.8	198.8		—
Fixed Int Acc	316.7	333.4		—
Fixed Int Cap	232.8	245.1		—
Fixed Int Ser Acc	142.2	149.7		—
Fixed Int Ser Cap	129.0	135.8		—
Indexed Secs. Acc	129.3	136.2		—
Indexed Secs. Cap	105.8	111.4		—
Indexed Secs. Ser Acc	121.5	127.9		—
Indexed Secs. Ser Cap	110.2	116.0		—
Intl. Ser Acc	189.5	199.4		—
Intl. Ser Cap	167.4	176.3		—
Dollar Ser Acc	147.3	155.1		—
Dollar Ser Cap	134.0	141.1		—
European Ser Acc	275.7	290.3		—
European Ser Cap	250.7	263.9		—
Far East Ser Acc	199.7	210.3		—
Far East Ser Cap	177.9	187.3		—
Man Curr Ser Acc	137.4	144.7		—
Man Curr Ser Cap	125.0	131.6		—
Bldg. Soc Ser Acc	130.8	137.7		—
Bldg. Soc Ser Cap	118.8	125.1		—

Homeowners Friendly Society
PO Box 94, Springfield Ave, Harrogate, 0423 67355
Portfolio Plan

HFS Managed Fd 1	97.1	102.2	—	—

Imperial Life Ass. Co of Canada
London Road, Guildford, GU1 3LE. 0452 500500 [sic as printed: "London Road, Gloucester, GL1 3LE."]

Growth Fund	307.2	323.4	—	—

Unit-Linked Portfolio

Managed Fd.	268.5	282.7	—	—
Fixed Int. Fd.	230.6	242.8	—	—
Secure Cap Fd.	173.8	182.9	—	—
Equity Fd.	660.5	695.3	—	—
Property Fd.	183.0	192.6	—	—

Pension Fund Portfolio

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.
Pensions Funds

American (Cap)	311.0	326.6	+3.0	—
American (Acc)	432.7	454.4	+5.3	—
Building Soc (Cap)	93.9	98.7	—	—
Building Soc (Acc)	130.7	137.3	—	—
Deposit (Cap)	154.1	161.9	+0.1	—
Deposit (Acc)	214.4	225.2	—	—
European (Cap)	139.1	146.2	-0.4	—
European (Acc)	193.6	203.4	-0.6	—
Equity (Cap)	385.9	405.3	+1.7	—
Equity (Acc)	536.4	563.4	+2.4	—
Gilt (Cap)	242.4	254.6	+1.1	—
Gilt (Acc)	337.2	354.2	+1.4	—
Gold (Cap)	112.7	118.4	-5.5	—
Gold (Acc)	156.8	164.7	-7.7	—
Index-Linked (Cap)	93.6	98.3	-0.6	—
Index-Lnkd Gilt (Acc)	130.2	136.8	-0.8	—
International (Cap)	107.8	113.3	—	—
International (Acc)	150.0	157.6	—	—
Intnl Inc (Cap)	102.7	108.6	-0.1	—
Intl Inc (Acc)	143.0	150.2	-0.2	—
Japan (Cap)	144.9	152.2	+3.1	—
Japan (Acc)	201.6	211.8	+4.4	—
Managed (Cap)	304.6	320.0	+2.4	—
Managed (Acc)	423.9	445.2	+3.1	—
PPP Fund (Cap)	286.6	301.0	+1.3	—
PPP Fund (Acc)	398.8	418.8	+1.9	—
Pacific (Cap)	256.9	269.8	-1.5	—
Pacific (Acc)	357.4	375.4	-2.1	—
Property (Cap)	132.2	138.9	—	—
Property (Acc)	184.0	193.3	—	—
Recovery (Cap)	184.2	193.5	+1.7	—
Recovery (Acc)	256.3	269.5	+2.4	—
UK Income (Cap)	108.3	113.8	+0.8	—
UK Income (Acc)	150.6	158.3	+1.1	—
Personal Pension (Acc)		1598.6	+7.1	—

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	211.6	222.8	+1.2	—
Do. Accum	236.5	249.0	+1.3	—
Special Situations	192.2	202.4	+1.0	—
Do. Accum	214.5	225.8	+1.0	—
North American	177.8	187.2	+1.7	—
Do. Accum	198.4	208.9	+1.9	—
Pacific Basin	322.8	339.8	+2.4	—
Do. Accum	360.4	379.4	+2.5	—
Fixed Interest	213.1	224.4	+1.0	—
Do. Accum	238.2	250.8	+1.2	—

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	183.5	193.0	—	—
Managed Prospect Fund	145.5	153.2	—	—
UK Equity Fd	212.6	223.8	—	—
Fixed Interest	145.7	153.4	—	—
Pacific	184.5	194.0	—	—
North American	114.6	120.7	—	—
Pens. Managed	212.7	223.9	—	—
Pens. UK Equity	248.9	262.1	—	—
Pens. Overseas Equity	291.1	306.5	—	—
Pens. Property	117.0	123.2	—	—
Pens. Fixed Interest	155.5	163.7	—	—
Pens. Index Linked	121.1	127.5	—	—
Pens. Deposit	142.6	150.2	—	—
P.R.P. UK Equity	107.5	113.2	—	—
P.R.P. Overseas Equity	102.9	108.4	—	—
P.R.P. Fixed Interest	105.0	110.6	—	—
P.R.P. Property	96.2	101.3	—	—
P.R.P. Index Linked	108.7	114.5	—	—
P.R.P. Deposit	97.8	103.0	—	—
P.R.P. Managed	106.0	111.6	—	—
P.R.P. With Profits	98.1	103.3	—	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	131.87	138.81	-0.52	—
Guaranteed Deposit	117.71	123.70	+0.16	—
International	176.31	185.58	+5.63	—
Managed	144.72	152.33	+0.64	—
Property	130.92	137.80	+0.19	—
UK Equities	175.82	185.07	-1.76	—
Pens Fixed Interest	123.82	130.33	-0.49	—
Pens Grtd Deposit	118.27	124.49	+0.22	—
Pens International	192.13	202.24	+6.16	—
Pens Managed	153.38	161.45	+0.32	—
Pens Property	143.56	151.11	+0.50	—
Pens UK Equities	152.92	160.96	-2.12	—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	283.7	298.7	+0.9	—
UK Equity	359.1	378.0	+2.2	—
Overseas Eq	283.5	298.5	+0.9	—
American	234.8	247.2	+2.5	—
Far East	332.4	349.9	-1.9	—
Property	133.5	140.6	—	—
Fixed Int	207.5	218.5	+0.3	—
Indexed Gilt	217.3	228.8	-1.4	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

Eurotax Investments Ltd
1 Athol Street, Douglas, Isle of Man
UK Agents FIS St Albans 0727 41222

FFM Futures Fund Ltd
PO Box 1540, Hamilton, Bermuda (809-295) 7447

Far East Growth Fund
10a Boulevard Royal, Luxembourg (352) 40630

Fidelity International
9 Bond St, St Helier, Jersey, CI 0534 71696
Dealers: 33201. PO Box 670, Hamilton, Bermuda

First Convertible Securities Fund
2 Boulevard Royal, Luxembourg 47911

Fleming Group

Hambros Bank Ltd
41 Bishopsgate, London, EC2 01-588 2851

Hambro Pacific Fund Mgmt. Ltd
2110 Connaught Centre, Hong Kong

Hambros Fd Mgrs (CI) Ltd
PO Box 86, Guernsey 0481 26521

Health 2000 Limited
Wellington Hse, Union St, St Helier, Jersey

Hellerup Scandinavian Fund Ltd
Tyndall House, Douglas, IoM 0624 24111

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1 Nov	1 May	Funding 6½pc 85-87	[illegible]	25.9	—	—
12Dec	12Jun	Treas. 10pc 1987	[illegible]	10.12	10.00	9.75
14Jan	14Jly	Treas 3pc 1987	[illegible]	8.12	3.03	7.41
3May	3Nov	Treas. 12pc 1987	[illegible]	29.9	11.84	9.32
26Jul	26Jan	Treas 7¾pc 1985-88‡‡	[illegible]	22.12	7.83	9.19
10Nov	10May	Exch 10½pc '88	[illegible]	6.10	10.37	9.21
14Dec	14Jun	Treas 9½pc Cv '88	[illegible]	18.12	9.71	9.33
1Jan	1Jul	Transport 3pc '78-88	[illegible]	25.11	3.15	7.22
25Apr	25Oct	Treas. 9½pc '88	[illegible]	18.9	9.47	9.25
22Aug	22Feb	Treas 11½pc 1989	[illegible]	16.1	11.09	9.16
18Oct	18Apr	Treas 9½pc Cnv 1989	[illegible]	11.9	9.46	9.24
15Nov	15May	Treas 3pc 1989	[illegible]	9.10	3.25	7.06
14Dec	14Jun	Treas 10½pc 1989	[illegible]	18.12	10.27	9.32
1Feb	1Aug	Exch 10pc 1989	[illegible]	24.12	9.85	9.16
29Mar	29Sep	Exch 11pc 1989	[illegible]	26.8	10.61	9.24
15Apr	15Oct	Treas 5pc 1986-89	[illegible]	8.9	5.36	7.97
15May	15Nov	Exch 10½pc Cv '89	[illegible]	9.10	9.80	8.20
15Jul	15Jan	Treas 13pc 1990‡‡	[illegible]	10.12	11.90	9.08
12Aug	12Feb	Exch 11pc 1990‡‡	[illegible]	6.1	10.52	9.12
22Sep	22Mar	Exch. 12½pc 1990	[illegible]	18.8	11.53	9.13
8Nov	8May	Treas. 3pc 1990	[illegible]	2.10	3.38	7.17
15Dec	15Jun	Treas 8¼pc 1987-90‡‡	[illegible]	18.12	8.45	9.03
25Apr	25Oct	Treas. 10pc Cv 1990	[illegible]	18.9	9.76	9.17
22May	22Nov	Exch 2½pc 1990	[illegible]	16.10	2.90	6.90
10July	10Jan	Treas 11¾pc 1991	[illegible]	4.12	10.90	9.22
5Oct	5Apr	Funding 5¾pc '87-91‡‡	95	1.9	6.17	7.80
13Nov	13May	Treas. 3pc 1991	[illegible]	—	3.52	7.29
12Jan	12July	Treas 10pc Cv '91	[illegible]	8.12	9.44	8.31
25Apr	25Oct	Exch. 11pc 1991	[illegible]	18.9	10.33	9.19
22Jly	22Jan	Treas 12¾pc 1992‡‡	[illegible]	16.12	11.26	9.18
21Aug	21Feb	Treas 10pc 1992	103	15.1	9.71	9.20

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Interest Due		Stock	(b)	Price £	Last xd	(1)	(2)
30 Sep	30 Mar	Treas. 2pc '88	(297.1)	[illegible]	26.8	—	2.32
25 Jul	25 Jan	Do. 2pc '90	(333.9)	[illegible]	19.12	1.33	2.79
23Sep	23Mar	Do. 2pc '92‡‡	(385.8)	[illegible]	—	2.29	3.20
16Mar	16Sep	Do. 2pc '96	(267.9)	[illegible]	11.8	3.15	3.71
24Mar	24Sep	Do 2½pc '01	(308.8)	[illegible]	18.8	3.38	3.75
20Nov	20May	Do. 2½pc '03	(310.7)	[illegible]	14.10	3.33	3.69
19Jan	19Jly	Do. 2pc '06	(274.1)	109	15.12	3.28	3.63
20Nov	20May	Do. 2½pc '09	(310.7)	[illegible]	14.10	3.27	3.59
23Feb	23Aug	Do. 2½pc '11	(294.1)	[illegible]	19.1	3.31	3.55
16Feb	16Aug	Do. 2½pc '13	(351.9)	[illegible]	12.1	3.28	3.51
26Jan	26Jly	Do. 2½pc '16	(322.0)	[illegible]	22.12	3.13	3.47
16Oct	16Apr	Do. 2½pc '20	(327.3)	[illegible]	9.9	3.19	3.42
17Jan	17July	Do. 2½pc '24 ‡‡	(385.3)	[illegible]	—	3.15	3.38

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for August 1986: 385.9 and for March 1987: 100.6 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

4 Jan	4 Jul	African Dv Bk 11¼Ln 2010	109	5.12	10.21	10.09
24Mar	24Sep	Asian Dev Bk 10¼pcLn2009	[illegible]	26.8	9.77	9.69
28Jan	28Jly	Australia 13½pc 2010	[illegible]	29.12	10.33	10.04
26Apr	26Oct	Do. 11¾pcLn2015	[illegible]	26.9	10.06	9.951
23Mar	23Sep	Euro Inv Bk 11pc Ln 2002	[illegible]	12.9	9.90	9.58
22Mar	22Nov	Do. 10¼pc2004	[illegible]	22.10	9.74	9.59
8Jan	8Jul	Int-Am Dev Bk 12¼pc 2003	[illegible]	9.12	10.26	9.73
15 May	15 Nov	Do. 9½pcLn 2015	[illegible]	15.10	9.74	9.72

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

Interest Due		Stock
1Apr	1Oct	Greek 7pc [illegible]
1Feb	1Aug	Do. 6pc 28 [illegible]
1Apr	1Oct	Do 4pc [illegible]
1May	1Nov	Hung. '24 [illegible]
31May	30Nov	Hydro Quebec [illegible]
30Jan	31Dec	Iceland 6½pc [illegible]
31Jan	31Jly	Do. 14½pc [illegible]
1Mar	1Sep	Ireland [illegible]
30June	31Dec	Japan 6% [illegible]

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jly	Sara Lee $1	27¼	[illegible]	$2.00	—	4.8
Mr Je Se Dc	Saul (B. F.) $1	10¾	[illegible]	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	63½	[illegible]	$6.96	—	7.1
—	Staley Continental	16¼	—	80c	—	3.2
Mr Je Se Dc	Sun Co. Inc. $1	39⅞	[illegible]	$3.00	—	5.0
Ma Je Se Dec	TRW Inc. $1¼	62⅛	[illegible]	$3.20	—	3.3
Mr Je Sp Dc	Tenneco $5	28¾	[illegible]	$3.04	—	7.0
June Dec	Do. 10pcLn.Stk. 91-5	185½	[illegible]	10%	—	5.5
Mr Je Se Dc	Texaco $6.25	19¾	[illegible]	$3.00	—	10.0
Mr Je Se Dc	Time Inc. $1	54¼	[illegible]	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	12¼	[illegible]	36c	—	1.9
Ja Ap Ju Oc	Transamerica $1	20¾	[illegible]	$1.76	—	5.5
Fe My Au No	Transworld Corp $5	983p	[illegible]	20c	—	1.3
—	Trinova Corp.	38¾	—	$1.40	—	2.4
Mr Je Se Dc	USX $1	17⅛	[illegible]	$1.20	—	4.5
Ag Nv Fb Jn	Union Carbide $1	17	[illegible]	$1.50	—	5.7
Mr Je Sp Dc	Utd. Technologies	28⅛	[illegible]	$1.40	—	3.2
Fb My Ag No	US West	30⅝	[illegible]	$3.28	—	6.9
Mr Je Se Dc	Woolworth $3½	29⅞	[illegible]	$1.32	—	2.9

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	Abbot Energy Corp.	22p	—	—	—	—
—	Amer. Barrick Res.	19	—	—	—	—
[illegible]						

BANKS, HP & LEASING

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	313	8.2	g9.25	2.9	4.2	11.7
—		Pearl Group 5p	362	—	10.5	—	4.2	—
Nov.	May	Prudential	818	6.4	29.0	—	5.0	—
Nov.	May	Refuge 5p	449	23.3	15.75	—	4.9	—
Jan.	May	Royal	888	23.9	31.0	—	4.9	—
April	Oct.	Sedgwick Group 10p	295	9.3	ϕ12.0	1.7	5.7	22.6
May	Nov	Steel Burrill J.10p	236	6.4	9.0	2.0	5.4	13.2
Nov.	July	Stewart Wr. 20p	431	29.9	13.0	2.0	4.3	15.0
Mar	Sept	Sturge Hldgs 20p	387	26.1	6.0	2.5	2.2	25.4
Jan.	July	Sun Alliance	942	24.11	28.5	—	4.0	—
June	Nov	Sun Life 5p	811	6.4	28.5	—	5.5	—
April		Taisho M EDR	669	25.3	010%	—	0.6	—
Fb My Au Nv		Torchmark $1.00	£16	9.1	Q60c	—	2.3	—
Nov.	May	Trade Indemnity	325	6.4	43	—	1.9	—
Mr Je Se De		Travelers $1.25	£27	27.1	$2.28	—	5.4	—
Dec	June	USLIFE Corp. $1.0	£29	9.11	Q$1.20	3.2	3.5	9.5
June	Nov	Utd Friendly B 10p	595	13.10	17.2	—	4.1	—
May	Nov	Willis Faber 12½p	398	29.9	10.75	ϕ	3.9	ϕ
Mar	July	Windsor Secs. 10p	59	22.12	0.7	1.5	1.7	54.7

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		A & M Group 10p	19	11.8	0.4	2.0	4.2	16.9
Jan	July	A-R TV Pref. £1	76	27.12	5.95	48.1	13.2	—
May	Aug	Anglia TV	463	23.2	g11.25	3.3	3.4	12.9
—		Aspinall Hldgs. 10p	182	23.2	6.0	1.2	3.2	22.2
		Avesco 1p	85	—	10.5	6.6	0.8	21.8
		BCE Hldgs 5p	44	—	0.0	3.0	3.2	14.6
July	Nov	Barr & W.A.T. 'A'	188	29.9	7.0	1.4	5.2	17.9
—		Boosey & Hawkes	182	4'84	—	—	—	—
		Border T.V.	66	23.2	2.5	3.2	5.9	16.6
June	Dec	Brent Walker 10p	385	27.10	68.5	2.2	3.2	18.3

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australian

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—	Abelscot Group 10p	395	—	3.2	—	1.1	—
—	Aberdeen Am Pet 10p	31	—	—	—	—	—
	Allied Ins. Brokers	120	—	L3.5	2.5	4.1	13.9
—	Catalyst Comm. 5p	56	—	—	—	—	—
—	Corton Beach 10p	64	—	—	—	—	31.8
—	Edenspring Investment	195	—	—	—	—	—
—	Eglinton Oil Ir.5p	48	—	—	—	—	—
—	Do. Warrants	27	—	—	—	—	—
—	Publishing Hldgs.5p	27	—	—	—	—	15.6
—	Theme Holdings	58	—	1.0	ϕ	2.9	ϕ
—	Unn Group	115	—	R4.6	2.5	5.6	(8.2)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ϕ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ϕ Same interim; reduced final and/or reduced earnings indicated.
- ϕ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∎ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	73	.....
Craig & Rose £1	£25¾	.....
Finlay Pkg. 5p	71	.....
Holt (Jos) 25p	915	+2
IoM Stm. £1	98	.....
IRISH		
Fund 13¾% 1988	£99½	.....
Nat. 9¾% 84/89	£96¾	+¼
Fin. 13% 97/02	£118¼	.....
Arnotts	345	.....
CPI Hldgs	57	.....
Carrol Inds.	128	+2
Dublin Gas	5	.....
Hall (R. & H.)	104xd	+4
Heiton Hldgs.	38	+2
Irish Ropes	174½	.....
Unidare	400	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	47
BOC Grp	42
BSR	12
BTR	30
Babcock	19
Barclays	47
Beecham	48
Blue Circle	62
Boots	25
Bowaters	37
Brit. Aerospace	58
Brit. Telecom	20
Burton Ord	23
Cadburys	22
Charter Cons.	30
Comm Union	29
Courtaulds	35
FNFC	20
Gen Accident	80
GEC	18
Glaxo	110
Grand Met	40
GUS 'A'	100
Guardian	85
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	80
Jaguar	52
Ladbroke	40
Legal & Gen	25
Lex Service	35
Lloyds Bank	48
Lucas Inds	55
Marks & Spencer	18
Midland Bk	55
Morgan Grenfell	35
NEI	8
Nat West Bk	55
P & O Dfd	55
Plessey	20
Polly Peck	20
Racal Elect	20
RHM	30
Rank Org Ord	55
Reed Intnl	42
STC	20
Sears	12
TI	55
TSB	8
Tesco	42
Thorn EMI	50
Trust Houses	20
Turner Newall	24
Unilever	150
Vickers	55
Wellcome	50
Property	
Brit Land	17
Land Securities	30
MEPC	32
Peachey	30
Oils	
BOM	3½
Brit Petroleum	60
Burmah Oil	38
Charterhall	4
Premier	4
Shell	75
Tricentrol	11
Ultramar	17
Mines	
Cons Gold	65
Lonrho	24
Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

AMERICA

Oils and chemicals top the bill

WALL STREET

A STEADY FLOW of good corporate results helped inject some stability into Wall Street stock prices yesterday despite further sharp declines in the bond market, *writes Paul Hannon in New York.*

At the close the Dow Jones industrial average was 5.39 down at 2,270.60.

The Dow Jones industrial average closed down 5.39 at 2,270.60 on volume of 139.2m shares compared with 189m shares traded on Thursday. The interest-rate sensitive utilities average dipped 0.06 to 204.05 and the transportation average posted a 3.37 gain to 927.46.

Among blue chips, IBM reversed early losses to finish steady at $150, Sears Roebuck turned $⅛ down to $51 and Ford was off $2¾ to $82½.

The oil sector again provided a strong feature with Amoco's agreed bid for the beleaguered Dome Petroleum for $3.87bn. Amoco retreated an early $1½ but closed on $⅝ lower at $80 in thin trading while Dome Petroleum, traded on the American Stock Exchange, rose $⅛ to $1⅞ in heavy turnover.

Last week's oil stars, Texaco and Pennzoil, traded nervously lower with the former slipping $1 to $30¼ and the latter dropping a fresh $2¾ to $75¾.

Schlumberger, the troubled oil services group, traded $½ lower to $42 on its modest first-quarter profit. The group showed a recovery over the last three months but its year-on-year performance indicated a drop in earnings per share to 2 cents from 66 cents.

The chemical sector was awash with results: SmithKline Beckman, the ethical drugs maker, advanced $⅞ to $102⅞ in reaction to the surge in first-quarter earnings from $1.51 to $2.30 per share.

Schering Plough, the pharmaceutical and consumer products group, managed an early gain on its $1.45 first-quarter earnings per share (against $1.17) but slipped later to show a $1¼ loss to $91⅞. Turnover remained light.

Monsanto, the large chemical manufacturer, jumped $2 to $85 in swift reaction to its stronger first-quarter results.

Bristol-Myers announced a 20 per cent jump in first-quarter figures but the diversified consumer products group dropped $1⅛ to $97⅞ in moderate turnover.

Unisys, the former Burroughs/Sperry group, jumped $4⅝ to $108⅞ after revealing first-quarter figures that exceeded most analysts' forecasts.

Other consumer related issues turned mixed on results. TDK, the tape manufacturer, recorded a 12 per cent first-quarter gain and surged $3¼ to $42 while Coleco, the toys and video games group, gave up $¼ to $10⅛ on its $8.9m loss for the quarter.

A plunge in net earnings for Church's Fried Chicken, the fast food group, prompted a $⅝ retreat to $11⅜. McDonald's the leading hamburger chain, firmed at first then closed $⅝ down at $76½.

Polaroid, the instant photography group, was buoyed by its jump in first-quarter earnings per share to 79 cents against 52 cents and traded $2 higher to $71⅜.

Warner Communications, the entertainment conglomerate, rose $⅝ to $30

Other features of the session included McDonnell Douglas, down $3⅝ to $72 in reaction to its weaker $1.06 quarterly earnings figure.

In the bond market, prices fell back as the dollar weakened. The key long bond, the 7¼ per cent due in 2016, dropped 1¼ points at 90¹⁵⁄₃₂ to yield 8.38 per cent.

Federal funds traded for most of the session at 6¼ per cent and then moved to 6⁵⁄₁₆ near the close.

Rates on treasury bills were mixed. Three-month bills reversed early gains of 2 basis points to traded 3 basis points lower at 5.69 per cent and six-month bills jumped 20 basis points to 6.27 per cent. One-year bills traded 16 basis points higher at 6.55 per cent.

CANADA

TRADING in Toronto was dominated by Amoco's bid for Dome Petroleum, which boosted the market and gave a particularly strong lift to banks and gold issues through the subsidiary Dome Mines.

Dome Petroleum itself added 39 cents to C$1.89 in heavy early trading.

The gold index surged, and in the mining sector Dome Mines rose C$1.00 to C$21⅜, Lac Minerals C$⅜ to C$42 and Campbell Red Lake C$1.00 to C$40.00.

Montreal was slightly higher and Vancouver rose strongly.

Major European bourses were closed yesterday for the Easter holiday.

ASIA

Nikkei falls back after topping 24,000

TOKYO

AN EARLY SURGE by export stocks took the Nikkei average briefly above 24,000 for the first time in Tokyo yesterday, but shares fell back to close lower due to wariness about the high level of prices, *writes Shigeo Nishiwaki of Jiji Press.*

The barometer of 225 issues shot up 157.31 from last Friday to 24,095.66 early in the morning session, but finished 43.13 off at 23,895.22. Volume shrank from 1.39bn shares to 892m as investors retreated to the sidelines in the afternoon. Advances and losses were nearly balanced at 456 to 455, with 101 issues unchanged.

The downturn was caused by small-lot selling of financial stocks and budget-linked issues, which had been leading the market until recently. Export-oriented blue chips, however, remained popular throughout the day, chalking up sharp gains.

Market analysts said the blue-chip buying was spurred by the yen's decline against the dollar and the fact that only three categories of Japanese goods were subjected to 100 per cent penalty tariffs by the US in retaliation for alleged Japanese violation of a bilateral chip trade agreement.

The sharp blue chip rally was a reaction to the steep falls these stocks have suffered over intensifying Japan-US trade friction.

Electricals gained on a broad front with Matsushita Electric Industrial soaring Y100 to 1,600 and Sony Y110 to 2,910. Hitachi jumped Y37 to Y932.

Financial stocks turned down, with city banks and brokerages registering particularly large losses. Sumitomo Bank was Y50 down at Y4,850, Fuji Bank Y90 off at Y4,050 and Nomura Securities Y60 lower at Y5,850. However. Long-Term Credit Bank and Nippon Credit Bank jumped Y2,000 each to Y28,200 and Y18,200.

There were many losers among biotechnology issues and AIDS-related stocks. Ajinomoto fell Y90 to Y3,660, while Takeda Chemical and Shionogi declined Y70 each to Y3,420 and Y1,890.

Nippon Telegraph and Telephone (NTT) drew heavy buying for the first time in many sessions; regaining its all-time high price of Y3.01m reached on March 4. It finished at Y3.00m, up Y100,000.

Bond trading was thin with prices easing slightly. Dealers were again the only major participants, with institutional investors inactive. The yield on the 5.1 per cent on Friday to 3.535 per cent.

SINGAPORE

SMALL INVESTORS sought blue chips in Singapore, taking the Straits Times industrial index up 5.78 to 1,100.91. However, trading was fairly quiet in the absence of the institutions, which stayed away because of the holidays in other key markets.

A forecast of 5 per cent economic growth, in Singapore this year by the Asian Development Bank, while relatively modest still encouraged buying, but the market was still cautious about the coming party elections in Malaysia.

Among blue chips, DBS scored a 40 cent rise to S$13.20, Singapore Airlines rose 20 cents to S$12.00 and Fraser and Neave 15 cents to S$9.65.

Markets in Hong Kong, Australia and South Africa were closed.

WORLD STOCK MARKETS

AUSTRIA

April 16	Price Sch%	+ or —
Creditanstalt	1990	+5
Goesser	3100	+40
Interunfall	12750	—38
Jungbunzlauer	9800	+50
Laenderbank	1920	......
Perlmooser	692	—4
Steyr-Daimler	142	+2
Veitscher Mag	850	+5

BELGIUM/LUXEMBOURG

April 26	Price Frs.	+ or —
B.B.L.	3100	......
Banque Gen. Du L.	15400	......
Bank Int. A Lux.	14800	......
Bekaert B.	10300	—100
Ciment CBR	5310	—10
Cockerill	141	+1
Delhaize	3345	+145
EBES	5270	—10
Fabrique Nat	1800	+5
GB Inno BM	1052	+12
GBL (Brux)	3900	+360
General Bank	4800	+90
Gevaert	6620	—80
Hoboken	7000	......
Intercom	4350	+50
Kredietbank	4510	—90
Pan Holdings	11900	......
Petrofina	10500	+25
Royale Belge	5940	—30
Soc Gen Belge	3640	+90
Sofina	14300	—100
Solvay	10000	+230
Stanwick Intl.	450	+10
Traction el	7300	+10
UCB	9170	+170
Wagons Lits	5720	......

DENMARK

April 25	Price Kr %	+ or —
Baltica Skand	875	......
Cop Handelsbank	262	......
D. Sukkerfab	338	......
Den Danske Bank	323	......
East Asiatic	172	......
Forenede Brygg	870	......
GNT Holding	264	......
I.S.S.B. Systems	755	+5
Jyske Bank	505	......
Novo Inds.	257	+1
Privatbanken	261	......
Sophus Berendsen	765	......
Superfos	192	......

FINLAND

April 16	Price Mkk	+ or —
Amer	221.5	......
KOP	49.70	......
Kone	205.5	......
Finnish Sugar	100.5	......
Nokia	175.5	......
Pohjola 'B'	86.35	......
Rauma-Repola	22.75	......
Stockmann 'B'	213	......
UBF 'C'	33.35	......
Wartsila (S11)	204	......

FRANCE

April 26	Price Frs.	+ or —
Emprunt 4½% '73	1712	+2
Emprunt 7% 1973	8520	—70
Accor	541	—5
Air Liquide	736	+1
BIC	755	+5
BNP	1209	+6
Bongrain	2830	+45
Bouygues	1440	+17
BSN Gervais	5080	......
CIT-Alcatel	2900	......
Carrefour	3670	+30
Club Mediterranean	668	+7
Cie Bancaire	780	+14
Cofimeg	363	—4
Darty	3070	+90
Darty	483	—7
Dumez S.A.	2495	+54
Eaux (Cie Gen)	1510	+9
Elf-Aquitaine	336.50	+1.5
Essilor	3351	+106
Gen. Occidentale	1319	+4
Imetal	118.50	+1
Lafarge Coppee	1671	+20
L'Oreal	4300	—60
Legrand	5750	+58
Maisons Phenix	154.80	+2.7
Matra S.A.	2645	+45
Michelin B	3599	+19
Midi (Cie)	1516	+6
Moet-Hennessy	2440	—5
Moulinex	110	......
Nord Est	198.50	......
Paribas	518	......
Pernod Ricard	1085	+22
Perrier	775	+18
Petroles Fra	495	+1.5
Peugeot S.A.	1547	+26
Printemps Au.	795	+43
Radiotech	1665	+32
Redoute	3000	+10
Roussel-Uclaf	1800	+55
St. Gobain	122.60	—5.4
Sefimeg	475	—1
Skis Rossignol	1282	—9
Telemech Elect	3420	+70
Thompson (CSF)	1725	—4
Valeo	604	+17

GERMANY

April 16	Price Dm.	+ or —
AEG-Telef	316.00	+2
Allianz Vers	1818.00	+13
BASF	275.70	+0.2
Bayer	310.00	+1.2
Bayer-Hypo	427.00	+5
Bayer-Verein	451.00	+6
BHF-Bank	449.50	+0.5
BMW	540.00	+11
Brown Boveri	314.50	+4.5
Commerzbank	276.50	+2.5
Cont'l Gummi	326.50	+1.5
Daimler-Benz	1003.50	+15.5
Degussa	492.00	—9
D'sche Babcock	223.00	+6
Deutsche Bank	655.00	+2.5
Dresdner Bank	356.50	+4.5
Feld Muehle Nob	289.00	+0.5
Henkel	497.50	+3
Hochtief	747.50	—2.5
Hoechst	277.60	+0.6
Hoesch Werke	107.50	+1.4
Holzmann (P)	418.50	—9.5
Horten	221.00	......
Hussel	568.00	—7
Karstadt	434.00	+2
Kaufhof	479.00	—0.8
KHD	153.00	+3
Kloeckner	66.90	—0.1
Linde	680.00	+4
Lufthansa	190.00	......
MAN	171.00	+2.5
Mannesmann	186.00	+2
Mercedes Hld.	837.00	+6.5
Metallgesell	329.00	+2
Muench Rueck	1835.00	+15
Nixdorf	806.00	+13.8
Porsche	880.50	+10.5
Preussag	170.80	—1
Rhein West Elect	221.30	+0.5
Rosenthal	263.50	+4.5
Schering	609.00	—1
Siemens	708.30	+5.8
Thyssen	116.70	+1.7
Varta	357.00	+3
Veba	278.80	+3.3
V.E.W.	160.50	+0.5
Verein-West	425.00	—8
Volkswagen	344.50	+10.5

ITALY

April 17	Price Lire	+ or —
Banca Com'le	24,150	+50
Bastogi-IRBS	706	+20
CIR	6,885	+385
Credito Italiano	2,450	+21
Fiat	13670	+460
Generali Assicur	139,200	+2200
Italcementi	98,100	+1600
La Rinascente	1,280	+20
Montedison	2,925	+90
Olivetti	13,680	+930
Pirelli Co.	7,840	+740
Pirelli Spa	5,410	+59
Saipem	4,440	—25
Snia BPD	4,770	+190
Toro Assic	35,400	+100

NETHERLANDS

April 16	Price Fls.	+ or —
ACF Holding	62.50	—0.8
AEGON	91.60	+0.5
Ahold	108.80	+0.6
AKZO	138.00	+1.7
ABN	520.00	+4
AMEV	66.70	—0.1
AMRO	80.80	—1.7
Bredero Cert	41.50	......
Buehrmann-Tet	53.80	+0.1
Dordtsche Petroleum	225.00	—8.5
Elsevier Ndu	259.50	+4
Fokker	51.00	......
Gist Brocades	47.00	+1.3
Heineken	179.50	+2.5
Hoogovens	35.50	+0.3
Hunter Douglas	55.50	......
IHC Caland	22.50	......
Int Mueller	68.80	+0.3
KLM	41.60	+1.3
KNP	157	+1.5
Nat Ned Cert	75.7	+0.5
Ned Mid Bank	170.5	+1
Ned Lloyd	174.9	—0.1
Oce Grinten	418	+3
Ommeren (Van)	38	+0.5
Pakhoed	77	+2
Philips	51.9	+0.5
Robeco	100	+0.2
Rodamco	144.2	+0.4
Rolinco	91.7	—0.3
Rorento	51.6	......
Royal Dutch	245.1	+2.3
Unilever	587	+7.7
VMF Stork	25.3	+1.8
VNU	356	+1
Westutten	86	+1
Wolters Samsom	126.5	—0.5

NORWAY

April 25	Price Kroner	+ or —
Bergen bank	182	......
Borgresen B	300	......
Christiania Bk	195	......
Den Norsk Credit	159	......
Elkem	105	—0.5
Kosmos	152	......
Kvaerner	203	......
Norcem	132.50	......
Norsk Data	290	......
Norsk Hydro	182	......
Orkla Borregaar	440	......
Storebrand	352	......

SPAIN

April 15	Price Pts.	+ or —
Banco Bilbao	1510	......
Banco Central	1076	......
Banco Exterior	475	......
Banco Hispano	591	......
Banco Popular	1648	......
Banco Santander	1293	......
Banco de Vizcaya	1820	......
Banesto	760	......
Dragados	715	......
Hidrola	70.70	......
Iberduero	111	......
Petroleos	504.50	+0.5
Telefonica	160	......

SWEDEN

April 16	Price Kronor	+ or —
AGA (free)	200	+2
Alfa-Laval	339	+11
ASEA (Free)	324	+3
Astra (Free)	715	+5
Atlas Copco	179	+4
Beijer A Fria	230.00	......
Cardo (Free)	200	......
Cellulosa	339	+4
Electrolux B	320	+3
Ericsson	276	+7
Esselte	153	+3
Mo Och Domsjo	305	+7
Pharmacia	204	......
Saab-Scania (free)	760	+10
Sandvik	168	+3
Skandia	163	+5
Skan Enskilda	119	......
SKF	380	+5
St. Kopparbergs	365	+15
Svka Handelsbn	435	—5
Swedish Match	460	......
Volvo B (Free)	318	+3

SWITZERLAND

April 16	Price Frs.	+ or —
Adia Intl.	11650	+350
Alusuisse	550	+15
Bank Leu	3225	+25
Brown Boveri	1830	+30
Ciba Geigy	3250	—25
do. (PtCts)	2280	—20
Credit Suisse	3100	—20
Elektrowatt	3650	+25
Fischer (Geo.)	1775	......
Hoff-Roche (Pt Cts)	134500	+1750
Hoff-Roche 1/10	13350	......
Jacobs Suchard	8750	+75
Jelmoli	3575	......
Landis & Gyr	1600	......
Nestle	9275	—50
Oer-Buehrle	1200	—20
Pargesa Hldg	2115	+25
Pirelli	431	......
Sandoz (Br)	11350	+50
Sandoz (PtCts)	1745	+15
Schindler (PtCts)	750	+5
Sika	1580	......
Surveillance	8500	—100
Swissair	1210	—20
Swiss Bank	447	+1
Swiss Reinsce	16000	......
Swiss Volksbk	2100	+10
Union Bank	4775	—25
Winterthur	6225	—50
Zurich Ins	7225	+50

AUSTRALIA

April 16	Price Aust$	+ or —
ACI Int.	3.80	......
A.F.P.	7.70	—0.1
Adelaide Steamsp	11.30	—0.05
Amcor	4.55	......
ANZ Group	5.70	+0.1
Ampol Pet	3.05	......
Ariadne Aust	3.45	+0.1
Ashton	4	—0.15
Aust Guarant	3.30	......
Aust Nat Inds	3.12	—0.03
Bell Group	11	+0.05
Bell Resources	5.40	+0.04
Bond Corp Hldgs	2.75	......
Boral	4.70	+0.05
B'ville Copper	4.40	—0.1
Brambles Inds	9.20	—0.4
Bridge Oil	1.40	+0.05
BHP	12.10	+0.8
Burns Philip	12.70	......
CRA	8.50	—0.1
CSR	4.20	+0.02
Chase Corp	3.60	+0.1
Claremont Petro	1.16	—0.02
Coles Myer	6.90	—0.2
Comalco "A"	3.12	—0.01
Consolidated Pet	0.30	......
Costain Aust	2.90xc	—0.1
Elders IXL	4.55xc	+0.05
Energy Res	2.10	+0.1
Gen Prop Trust	2.85	—0.1
Hardie (J.)	4.50	—0.05
Hartogen Energy	3	—0.05
ICI Aust	4	+0.05
Industrial Equip	5	......
Jimberlana (50cFP)	0.74	......
Kia Ora Gold	0.95	......
Kidston Gold	9.20	—0.4
Lend Lease	13.30	—0.2
MIM	3.20	—0.05
Mayne Nickless	4.25xr	—0.25
Nat. Aust. Bank	5.30	—0.04

AUSTRALIA (Continued)

April 16	Price Aust$	+ or —
News	22	+0.7
Noranda Pacific	3.60	—0.7
North Bkn Hill	3	......
Oakbridge	0.72	......
Pacific Dunlop	4.75	+0.03
Pancont'l	3.30	—0.1
Pioneer Conc	3.55	+0.03
Placer Pacific	3.75	......
Poseidon	13.50	—0.9
Queensland Coal	1.28	—0.04
Santos	5.04	......
Smith (H.)	4.70	......
Thos Nationwide	4.6	......
Tooth	7.50	......
Vamgas	3.22	......
Western Mining	9.94	—0.16
Westpac	5	+0.05
Woodside Petrol	2.15	—0.05
Woolworths	3.55	......
Wormald Intl	3.65	—0.05

HONG KONG

April 16	Price H.K.$	+ or —
Bank East Asia	20.70	+0.2
Cathy Pacific	5.80	+0.1
Cheung Kong	43.00	+0.5
China Light	21.90	+0.2
Everga	0.70	......
Hang Seng Bank	36.00xc	+1.75
Henderson Land	5.55	+0.2
Hong Kong China	16.20	+0.2
HK Electric	13.30	—0.1
HK Land	6.05	+0.05
HK Shanghai Bank	8.15	+0.05
HK Telephone	13.00	......
Hutchison Wpa	50.50	+0.5
Indust Equity P	19.80	—0.2
Jardine Math	22.50	+0.1
New World Dev	10.40	—0.1
SHK Props	13.70	+0.4
Shell Elec. Mfg	1.28	—0.02
Swire Pac A	17.30	......
TV-B	12.70	+0.1
Wharf Hldgs	8.20	......
Windsor Ind.	10.20	+0.1
World Int Hldgs	3.55	+0.1

JAPAN

April 20	Price Yen	+ or —
Ajinomoto	3660	+170
All Nippon Air	1930	+100
Alps Electric	1490	+160
Asahi Chemicals	1000	—40
Asahi Glass	2050	—40
Bank Tokyo	1860	+30
Bridgestone	840	—14
Brother Inds.	580	+13
Canon	730	+21
Casio Computers	950	+70
Chugai Pharm	1710	—50
Daiei	1550	......
Dai Ichi Kan Bank	4050	—140
Dai Nippon Ink	691	—9
Dai Nippon Ptg	1890	+110
Daiwa House	2270	—20
Daiwa Sec	3890	+130
Eisai	2010	—10
Fanuc	4100	+500
Fuji Bank	4050	—70
Fuji Film	3010	—410
Fujisawa	2040	—50
Fujitsu	820	+83
Fujisawa Elect	831	—15
Green Cross	2780	—50
Heiwa Real Est	2120	—70
Hitachi	932	+32
Hitachi Credit	1640	+70
Honda	1280	+50
Ind Bank Japan	4980	......
Ishikawajima Ha	665	—1
Isuzu Motors	325	—16
Itoh (C)	890	—11
Ito Yokado	3520	+10
JAL	16200	+300
Jusco	1150	—40
Kajima	1980	—50
Kao Soap	1800	+50
Kawasaki Steel	257	+3
Kirin	2650	—100
Kobe Steel	304	—6
Komatsu	605	+30
Konishiroku	608	+25
Kubota	525	—4
Kumagai	1300	+40
Kyoto Ceramic	3890	+90
Marubeni	502	—8
Marui	2870	+40
Mazda Motors	359	—6
Meiji Seika	1030	+100
MEI	1600	+40
M'bishi Bank	4100	—100
M'bishi Chem	970	—13
M'bishi Corp	1370	+10
M'bishi Elec	540	+9
M'bishi Estate	3390	+20
MHI	601	+2
Mitsui Bank	3030	—150
Mitsui Co.	825	—25
Mitsui Estate	2680	+14
Mitsui Toatsu	653	+4
Mitsukoshi	1440	—60
NGK Insulators	825	+10
Nikko Sec	3050	+190
Nippon Denso	1290	+130
Nippon Elect	1620	+50
Nippon Express	1540	—10
Nippon Gakki	1410	+120
Nippon Kogaku	675	+71
Nippon Kokan	335	—5
Nippon Oil	1250	—10

JAPAN (Continued)

April 20	Price Yen	+ or —
Nippon Seiko	444	+4
Nippon Shimpan	1180	+70
Nippon Steel	376	+1
Nippon Suisan	586	—26
Nippon Yusen	655	—10
Nissan Motor	610	+5
Nisshin Flour	1020	—80
Nomura	5850	+220
Olympus	990	+5
Onoda Cement	710	—24
Orient Finance	1990	+150
Orient Leasing	3650	+240
Pioneer	1850	+160
Ricoh	758	+41
Sankyo	1840	—50
Sanwa Bank	3560	......
Sanyo Elect	420	+9
Sapporo	1860	—50
Sekisui Prefab	1990	......
Seven-Eleven	7000	+400
Sharp	875	+30
Shimizu Const	1140	—50
Shionogi	1890	—100
Shiseido	1760	—40
Showa Denko	630	—28
Sony	2910	+160
S'tomo Bank	4850	—40
Sumitomo Chem	887	—29
Sumitomo Corp	1210	+50
S'tomo Elect	1580	+50
S'tomo Metal	239	+2
Taisei Corp	1280	—50
Taisho Marine	1500	—120
Taiyo Kobe Bank	1860	—170
Takeda	3420	—100
TDK	3030	+290
Teijin	805	—5
Toa Nenryo Kyo	1950	+20
Tokai Bank	2600	+70
Tokyo Marine	2860	—50
Tokyo Elect Pwr	9250	+410
Tokyo Gas	1490	+10
Tokyu Corp	1980	—70
Toppan Print	1560	+90
Toray	731	—18
Toshiba Elect	724	+2
Toyo Seikan	2010	+10
Toyota Motor	1600	+100
UBE Inds	453	+8
Victor	2000	+370
Yamaha	708	+13
Yamaichi Sec	2990	+230
Yamanouchi	3960	—120
Yamazaki	1900	+110
Yasuda Fire	1460	—30

SINGAPORE

April 20	Price $	+ or —
Boustead Hldgs	±4	+0.01
Cold Storage	3.90	......
DBS	13.20	+0.04
Genting	6.90	+0.10
Haw Par Bros	3.92	+0.06
Hong Leong Fin.	3.32	......
Inchcape Bhd	3.70	+0.02
Keppel Shipyard	2.96	—0.02
Malay Banking	7.95	......
Malayan Utd. Ind	2.37	—0.02
Multi Purpose	0.84	—0.02
OCBC	9.40	+0.2
OUB	3.66	......
Public Bank	2.02	......
Sime Darby	3.04	......
Singapore Air	12.00	+0.2
Singapore Press	7.60	......
Straits Trading	4.06	+0.04
Tat Lee Bank	3.06	......
UOB	5.10	+0.1

SOUTH AFRICA

April 15	Price Rand	+ or —
Abercom	3.50	......
AE & CI	19	......
Allied Tech.	10	—100
Anglo Am Coal	39	......
Anglo Am Corp	77.50	......
Anglo Am Gold	355	......
Barclays Bank	22	......
Barlow Rand	24.25	......
Buffels	78	......
CNA Gallo	4.20	......
Currie Finance	7.40	......
De Beers	42.25	......
Driefontein	82	......
Freegold	52.50	......
Gold Fields SA	72.50	......
Highveld Steel	6.65	......
Malcor Hldgs	21	......
Nedbank	8.15	......
OK Bazaars	16.50	......
Rembrandt	105	......
Rust Plat	52.62	—0.03
Safren	25.25	......
Sage Holdings	14	......
SA Brewers	19.25	......
Smith (C.G.)	38	......
Tongaat Hulett	11.60	......

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

Indices

NEW YORK

DOW JONES

	Apr. 16	Apr. 15	Apr. 14	Apr. 13	1987 High	1987 Low	Since compilation High	Since compilation Low
ϕIndustrials	2275.99	2282.95	2252.98	2287.07	2405.54 (6/4)	1927.31 (2/1)	2405.54 (6/4/87)	41.22 (2/7/32)
Home Bonds	90.64	90.59	91.37	91.58	95.51 (9/2)	90.59 (15/4)	(—)	(—)
Transport	924.09	921.37	914.90	932.90	961.48 (6/4)	816.38 (2/1)	961.48 (6/4/87)	12.32 (8/7/32)
Utilities	204.11	199.39	192.83	198.58	227.83 (22/1)	206.36 (9/4)	227.83 (22/1/87)	10.5 (8/4/32)

ϕDay's High 2307.53 (2293.89) Low 2243.32 (2213.64)

STANDARD AND POOR'S	Apr. 16	Apr. 15	Apr. 14	Apr. 13	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite‡	286.91	284.44	279.16	285.62	301.95 (6/4)	246.45 (2/1)	301.95 (6/4/87)	4.40 (1/6/32)
Industrials	332.76	330.62	324.50	331.70	349.49 (6/4)	274.58 (2/1)	349.49 (6/4/87)	3.62 (21/6/32)
Financials	27.94	27.64	27.25	28.01	31.51 (6/3)	27.49 (2/1)	31.51 (6/3/87)	8.64 (1/10/74)
NYSE Composite	162.59	161.03	158.31	162.14	171.08 (24/3)	141.01 (2/1)	171.08 (24/3/87)	4.46 (25/4/42)
Amex Mkt. value	328.94	327.05	326.11	334.08	342.23 (6/4)	267.49 (2/1)	342.23 (6/4/87)	29.31 (9/12/72)
NASDAQ OTC Comp	419.46	416.32	413.19	423.71	439.64 (20/3)	353.26 (2/1)	439.64 (20/3/87)	54.87 (3/10/72)

	Apr. 10	Apr. 3	Mar. 27	year ago (approx.)
Dow Industrial Div. Yield	2.86	2.80	2.86	3.64
	Apr. 8	Apr. 1	Mar. 25	year ago (approx.)
S and P Industrial Div. Yield	2.47	2.49	2.44	3.11
S and P P/E ratio	22.12	21.65	22.16	16.56

TRADING ACTIVITY † Volume

Millions	Apr. 16	Apr. 15	Apr. 14
New York	189.57	198.15	266.54
Amex	21.00	15.24	20.88
OTC	—	145.88	165.37

NEW YORK	Apr. 16	Apr. 15	Apr. 14
Issues Traded	1,973	1,976	2,007
Rises	1,184	1,119	155
Falls	470	524	1,648
Unchanged	319	333	204
New Highs	27	9	11
New Lows	16	51	124

CANADA

TORONTO

	Apr. 16	Apr. 15	Apr. 14	Apr. 13	1987 High	1987 Low
Metals & Minerals	2778.78	2757.5	2754.3	2807.7	2809.6 (10/4)	1988.2 (2/1)
Composite	3786.8	3772.0	3773.4	3839.8	3881.2 (6/4)	3067.8 (2/1)
MONTREAL Portfolio	1888.9	1872.5	1857.1	1891.2	1935.0 (6/4)	1534.3 (2/1)

	Apr. 16	Apr. 15	Apr. 14	Apr. 13	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1763.5	1764.8	1777.2	1799.7	1799.7 (13/4)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1079.5	1109.6	1106.1	1134.3	1134.3 (13/4)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	199.06	197.86	198.89	200.34	230.60 (2/1)	196.20 (1/4)
BELGIUM						
Brussels SE (1/1/84)	4534.96	4506.43	4552.85	4589.92	4589.92 (13/4)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(c)	(u)	197.30	197.95	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	(c)	510.2	510.3	500.6	510.3 (14/4)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	450.1	446.31	444.5	447.4	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	113.7	112.9	112.2	112.7	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	597.52	596.67	583.46	577.37	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1809.9	1808.9	1770.1	1752.9	2048.3 (6/1)	1635.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	2722.12	2693.62	2668.35	2708.94	2939.05 (3/3)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	751.13	734.21	737.17	723.33	751.13 (16/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	23868.4	23351.07	23352.15	22891.56	23868.1 (16/4)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2141.19	2104.49	2096.92	2017.24	2141.19 (16/4)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	286.0	281.81	283.6	285.1	293.4 (9/4)	257.7 (28/1)
ANP CBS Indust. (1970)	264.6	261.2	263.3	264.0	274.9 (5/1)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	(c)	421.75	422.24	424.24	424.13 (13/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1095.16	1094.76	1101.05	1104.55	1104.35 (13/4)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	2265.0	2242.0	2240.0	2265.0 (16/4)	1786.0 (19/3)
JSE Indust (28/9/78)	—	1792.0	1792.0	1783.0	1792.0 (14/4)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	(c)	233.27	234.33	234.95	255.95 (25/2)	212.04 (2/1)
SWEDEN						
Jacobson & P. (31/12/56)	2672.20	2637.30	2596.80	2602.10	2672.20 (16/4)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	591.3	589.01	585.8	588.8	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	—	455.7	453.1	488.1	455.7 (16/4)	361.3 (2/1)

**Saturday April 11: Japan Nikkei (c) TSE (c)

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
ATT	3,740,600	24¾	—
IBM	2,972,100	150	—⅞
Texaco	2,482,400	31⅛	—
Clon Gas	2,307,500	26⅜	+⅞
GCA	2,117,500	¼	—
General Motors	2,030,200	86⅛	+⅛
Aetna Life	1,967,500	58⅝	—
Exxon	1,743,700	88½	—⅞
ICN Pharm	1,651,700	13⅝	+2⅜
Fannie Mae	1,639,600	38	—1⅛

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Warnings from Baker help dollar survive poor data

BY COLIN MILLHAM

THE DOLLAR nudged towards levels of Y140 and DM 1.80 last week, but failed to make a strong attack, in spite of depressing news about the US economy.

The market remained poised for an early assault on these psychological points, but drew back on fear of being caught in a bear squeeze by central banks ahead of the long Easter weekend.

Sentiment suggested the dollar will continue to fall, but there was a reluctance to test this year's lows, after comments about exchange rate stability by officials in the US, Japan and Europe.

Mr James Baker, US Treasury Secretary, said he wanted the dollar to stabilise against the yen near its current level, and that the leading industrial nations all favoured this approach.

He stressed that a further fall of the dollar would be harmful to world economic growth. As a leading economic spokesman for the Reagan Administration, dealers perhaps took seriously for the first time US determination to prevent a further fall in the value of its currency.

Until then it was suspected Mr Paul Volcker, chairman of the Federal Reserve Board, was a lone voice in Washington, concerned about the dollar's decline.

The very large US trade deficit, and growing trade friction with Japan had previously suggested the administration was prepared to ward off protectionist moves in Congress by looking for a balance in US trade through a weakening of the dollar.

In Tokyo Mr Satoshi Sumita, Governor of the Bank of Japan, returned from the International Monetary Fund meeting in Washington, to tell a press conference the Federal Reserve was determined to halt the dollar's slide.

Dealers are well aware of Japan's desire to stem the dollar's fall, and tend to regard remarks by officials in Tokyo with a degree of scepticism, but noted that Mr Karl Otto Poehl, President of the West German Bundesbank, warned a meeting in Paris about the dangers of a further dollar fall.

In general US economic news was not encouraging, but the market was acutely aware of the political nature involved in any further dollar decline.

A February US trade deficit of about $13bn was expected, although rumours circulated in the US ahead of Tuesday's announcement that the shortfall would be as high as $18bn. The published deficit of $15.1bn was still regarded as disappointing, and initially pushed the dollar lower, before central banks intervened to reverse the trend.

The fall of 0.3 per cent in March US industrial production and a rise of only 0.2 per cent in retail sales did not point towards any marked economic recovery.

The market was left pondering the implications of apparent determination by the central banks, including the US Federal Reserve, to maintain the Paris agreement on currency stability.

Dealers were not convinced the dollar could be prevented from falling, following over 18 months of steady decline by the US currency, without any sign of correction in the US trade deficit, but were not ready to mount a new attack on the currency.

This week sees publication of first quarter US gross national product growth on Thursday. Indications are that this is likely to disappoint, but after a period of sustained downward pressure, and warnings by officials about the continuation of this trend, the market is likely to remain wary of a confrontation with the central banks.

£ IN NEW YORK

Apr 17	Close	Previous Close
£ Spot	1.6300-1.6310	1.6310-1.6320
1 month	0.42-0.40 pm	0.42-0.41 pm
3 months	1.14-1.12 pm	1.14-1.11 pm
12 months	3.33-3.27 pm	3.35-3.25 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Apr. 16	Previous
8.30 am	72.3	72.1
9.00 am	72.3	72.1
10.00 am	72.3	72.2
11.00 am	72.4	72.1
Noon	72.3	72.2
1.00 pm	72.3	72.1
2.00 pm	72.3	72.1
3.00 pm	72.3	72.1
4.00 pm	72.4	72.1

CURRENCY RATES

Apr. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79239	0.703205
U.S. Dollar	5.5	1.2899	1.14411
Canadian $	7.15	*	1.51446
Austrian Sch.	4	N/A	14.6103
Belgian Franc	8	48.5211	43.0559
Danish Krone	7	N/A	7.83947
Deutsche Mark	3.0	2.3426	2.07828
Neth. Guilder	4½	2.64012	2.34486
French Franc	9½	7.7933	6.91503
Italian Lira	11.5	1668.73	1481.63
Japanese Yen	2½	184.45	163.837
Norway Krone	8	N/A	7.76739
Spanish Peseta	—	"	145.611
Swedish Krona	7½	"	7.23252
Swiss Franc	3.5	"	1.71446
Greek Drach.	20½	172.311	152.842
Irish Punt	—	0.87685	0.777780

*C$/SDR rate for April 15: 1.71329

CURRENCY MOVEMENTS

April 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.4	N/A
U.S. Dollar	101.1	"
Canadian Dollar	78.5	"
Austrian Schilling	137.6	"
Belgian Franc	99.9	"
Danish Krone	92.8	"
Deutsche Mark	146.4	"
Swiss Franc	173.2	"
Guilder	134.5	"
French Franc	71.6	"
Lira	47.9	"
Yen	222.6	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0559	+1.41	+0.98	±1.5344
Danish Krone	7.85212	7.83947	−0.16	−0.59	±1.6404
German D-Mark	2.05853	2.07828	+0.96	+0.53	±1.0981
French Franc	6.90403	6.91503	+0.16	−0.27	±1.3674
Dutch Guilder	2.31943	2.34486	+1.10	+0.67	±1.5012
Irish Punt	0.768411	0.777780	+1.12	+0.69	±1.6684
Italian Lira	1483.58	1481.63	−0.13	−0.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Apr. 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.631	2.935	233.3	9.823	2.435	3.333	2105.	2.149	61.40
$	0.613	1.	1.811	143.0	6.023	1.492	2.043	1291.	1.317	37.65
DM	0.339	0.552	1.	79.00	3.327	0.825	1.129	712.8	0.728	20.80
YEN	4.287	6.992	12.66	1000.	42.11	10.44	14.29	9023.	9.211	263.2
F Fr.	1.018	1.660	3.006	237.5	10.	2.479	3.393	2143.	2.187	62.51
S Fr.	0.411	0.670	1.213	95.79	4.034	1.	1.369	864.3	0.882	25.22
H Fl.	0.300	0.489	0.886	69.99	2.947	0.731	1.	631.5	0.645	18.42
Lira	0.465	0.775	1.403	110.8	4.667	1.157	1.584	1000.	1.021	29.18
C $	0.645	0.759	1.374	108.6	4.572	1.133	1.5551	979.5	1.	28.58
B Fr.	1.629	2.656	4.809	379.9	16.00	3.996	5.428	3428.	3.499	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Apr. 16	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	9½-9¾	9⅝-9¾	9⅞-9⅞	9⅞-9¾	9⅞-9⅞	9⅞-9⅞
U.S. Dollar	6¼-6⅜	6⅝-6⅞	6⅝-6¾	6¾-6⅞	6⅞-6⅞	7⅛-8⅛
Can. Dollar	6½-6¾	6⅝-6⅞	6⅞-7⅛	7¼-7½	7⅞-7⅞	7⅞-8⅛
D. Guilder	3½-4	5⅛-5⅛	5¼-5⅝	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 7⅝-7⅞ per cent; three years 8-8⅛ per cent; four years 8⅛-8⅜ per cent; five years 8⅛-8½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Belgian rate is for convertible francs. Financial franc 61.60-61.70. Six-month forward dollar 2.06-2.03c pm. 12-month 3.53-3.23c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Apr. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						
W. Germany	1.8100-1.8260	1.8105-1.8115	0.43-0.40pf pm	2.74	1.33-1.28 pm	2.87
Portugal	140-140½	140¼-140½	75-125c dis	−8.56	250-325 dis	−8.21
Spain	127.20-127.45	127.25-127.35	90-100c dis	−8.95	270-295 dis	−8.87
Italy	1291-1298½	1290¼-1290¾	2.00-2.50lire dis	−2.08	6.00-8.00 dis	−2.16
Norway	—	6.81-6.81½	4.00-4.50ore dis	−7.53	12.50-13.50dis	−7.68
France	6.02-6.06	6.02-6.02½	0.70-0.80c dis	−1.49	1.85-2.10 dis	−1.31
Sweden	6.31¼-6.33¼	6.31¼-6.32¼	1.30-1.50ore dis	−2.66	4.25-4.55dis	−2.78
Japan	142.80-143.55	142.90-143.00	0.35-0.31y pm	2.77	1.01-0.96 pm	2.75
Austria	12.73-12.80	12.73-12.73½	2.70-2.30gro pm	2.35	8.00-7.00 pm	2.35
Switzerland	1.4945-1.5055	1.4915-1.4925	0.44-0.39c pm	3.32	1.20-1.15 pm	4.14

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85.

OTHER CURRENCIES

Apr. 16	£	$
[illegible]		

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6310	1.6270	1.6198	1.6105	1.5982
D-mark	2.9525	2.9385	2.9110	2.8740	2.8049
French Fr.	9.8225	9.8103	9.7867	9.7630	9.7382
Swiss Fr.	2.4350	2.4222	2.3992	2.3666	2.3097
Yen	233.25	232.15	230.05	227.15	221.70

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	11.12	11.25	0.00	0.13
114	9.13	9.37	0.01	0.25
116	7.15	7.55	0.03	0.43
118	5.22	6.18	0.10	1.06
120	3.39	4.57	0.27	1.45
122	2.10	3.47	0.62	2.35
124	1.09	2.47	1.61	3.35
126	0.33	2.00	3.21	4.52

Estimated volume total, Calls 1,860 Puts 635
Previous day's open int: Calls 24,596 Puts 13,602

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	2.62	3.59	0.52	2.53
94	1.42	2.61	1.32	3.55
96	0.52	2.10	2.42	5.04
98	0.22	1.34	4.12	6.28
100	0.08	1.04	5.62	7.62
102	0.02	0.46	7.56	9.40
104	0.01	0.31	9.55	11.25
106	0.00	0.20	11.54	13.14

Estimated volume total, Calls 232 Puts 263
Previous day's open int: Calls 840 Puts 601

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Apr	Calls-Last May	Puts-Last Apr	Puts-Last May
19250	3.74	6.06	0.64	2.96
19500	2.10	4.67	1.50	4.07
19750	1.00	3.51	2.90	5.41
20000	0.40	2.56	4.80	6.96
20250	0.13	1.82	7.03	8.72
20500	0.03	1.26	9.43	10.66
20750	0.01	0.85	11.91	12.75
21000	0.00	0.55	14.40	14.95

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 327 Puts 254

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.30	—	32.75	—	32.75	—	0.00	—	0.00
1.35	—	27.75	—	27.75	—	0.00	—	0.01
1.40	22.75	22.75	—	22.75	0.00	0.00	—	0.05
1.45	17.75	17.75	—	17.75	0.00	0.00	—	0.22
1.50	12.75	12.75	12.75	12.75	0.00	0.03	0.13	0.69
1.55	7.75	7.75	7.75	7.98	0.03	0.30	0.63	1.73
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.60

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 1,318, Puts 1,362

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.30	—	32.75	—	32.75	—	0.00	—	0.00
1.35	—	27.75	—	27.75	—	0.00	—	0.01
1.40	22.75	22.75	—	22.75	0.00	0.00	—	0.05
1.45	17.75	17.75	—	17.75	0.00	0.00	—	0.22
1.50	12.75	12.75	12.75	12.75	0.00	0.03	0.13	0.69
1.55	7.75	7.75	7.75	7.98	0.03	0.30	0.63	1.73
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.60

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 1,318, Puts 1,362

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls—Last	Puts—Last
[illegible]		

LONDON

20-YEAR 12% NOTIONAL GILT

	Close	High	Low	Prev.
[illegible]				

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

	Close	High	Low	Prev.
[illegible]				

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

	Close	High	Low	Prev
June	1.6255	1.6270	1.6200	1.6240
Sept.	1.61758	1.6180	1.6105	1.6145
Dec.	1.6120A	1.6130	1.6050	1.6090
Mar.	—	—	—	—

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6223	1.6200	1.6200	1.6230
Sept.	1.6125	—	—	1.6130
Dec.	1.6050	—	—	1.6070

Estimated volume 2 (3)
Previous day's open int 237 (235)

MONEY MARKETS

London maintains stability

LONDON MAINTAINED an air of stability last week, in spite of the turmoil in US markets created by nervousness over the economic situation, including the continuation of a very large US trade deficit and the threat of a trade war with Japan.

Japanese investors sold the dollar to hedge foreign currency risks on US Treasury bond holdings and were also large sellers of bonds ahead of the trade figures on Tuesday. The trend towards a lower dollar and falling bond prices continued immediately after the figures were announced, before comments about currency stability by various officials, including Mr James Baker, US Treasury Secretary, led to a recovery.

UK clearing bank base lending rate 10 per cent since March 18-19

Despite the volatility in US markets, London shrugged off the uncertainty. Gilts regarded the situation across the Atlantic with unease, but then concentrated on encouraging UK political and economic news.

Unemployment fell in March, creating hopes that the figure will soon be below 3m, and the public sector borrowing requirement for the last financial year of £3.3bn was below the £4.1bn forecast in last month's Budget statement.

After a shaky period, on US news, gilts recovered and interest rates eased, as sterling held steady and showed none of the usual sympathy with the dollar. The pound touched its highest level against the dollar since December 1982, and held steady above 72.0 on the exchange rate index.

Three-month interbank fell to 9⅝-9¾ per cent from 10-9⅞ per cent, as hopes were kept alive of a cut in clearing bank base rates, if there is an early general election.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 16) 3 months U.S. dollars		6 months U.S. dollars	
bid 6¾	offer 6⅞	bid 6{illegible}	offer 6⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr. 16	Apr. 10		Apr. 16	Apr. 10
Bills on offer	£100m	£100m	Top accepted rate of discount	9.4659%	9.6063%
Total of applications	£511m	£306m	Average rate of discount	9.4619%	9.5661%
[illegible]					

WEEKLY CHANGE IN WORLD INTEREST RATES

	Apr. 16	change		Apr. 16	change
[illegible]					

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	7¾	One month	5.14	Three year	7.33
Broker loan rate	7½	Two month	5.38	Four year	7.57
Fed. funds	6⅜	Three month	5.83	Five year	7.67
Fed funds at intervention	—	Six month	6.23	Seven year	7.98
		One year	6.53	10 year	8.18
		Two year	7.05	30 year	8.35

Apr. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.65-3.75	3.75-3.85	3.75-3.85	3.75-3.90	3.80-3.95	5.0
Paris	8-8⅛	7⅞-8	7⅞-8	7⅞-8	7⅞-8	7¾
[illegible]						

LONDON MONEY RATES

Apr. 16	Over-night	7 days notice	Month	Three Months	Six Months	One Year
[illegible]						

Company Notices

KLEINWORT BENSON (JAPAN) FUND
Société Anonyme
Luxembourg, 37, Rue Notre-Dame
R.C. Luxembourg n° B 8528

Dividend Notice

At the Annual General Meeting held on April 8th, 1987, the shareholders decided to pay a dividend of US$0.045 (4.5 dollar cents) per share, payable from April 22nd, 1987, to shareholders of record on April 8th, 1987, upon presentation of coupon n° 16.

Paying agents:
Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
L-2955 Luxembourg

Kleinwort Benson Limited
20 Fenchurch Street
GB - London EC3P 3DB

Kleinwort Benson (Japan) Fund
The Secretary

PROVINCE OF MANITOBA (CANADA)
7% 1969/1989 UA 15,000,000

On April 7, 1987, Bonds for the amount of UA 998,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be redeemable coupon due June 17, 1988 and following attached, on and after June 17, 1987.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at 246 up to 3150 incl.

An amount of UA 2,000 has been presented for redemption at the option of the Bondholders and applied against the amortization quota due on June 17, 1987 pursuant to paragraph "prepayment" of the Terms and Conditions of the Loan.

Amount unamortized: UA 2,000,000.

Outstanding previously drawn Bonds:
17 to 23 incl.
26 and 27
101
112 to 117 incl.
130 to 132 incl.
134 and 135
138
160 to 162 incl.
202 to 206 incl.
213
227 and 228
237 and 238
243 to 245 incl.
4280 to 4291 incl.
5011 to 5014 incl.
5027
7875
8385 and 8386
8482
8497 to 8499 incl.
8636 to 8640 incl.
8652 and 8653
8659 and 8660
8668 to 8672 incl.
8699
9296
12964
13237 and 13238
14376 to 14380 incl.
14386
14405
14600
14952

The Trustee
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
April 21, 1987

BARCRO-OLYMPIC STRANDERS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 105 of the Insolvency Act 1986 that Meetings of the Shareholders and Creditors of the above-named Company will be held at 6 St. James's Square, London SW1Y 4LD on Friday May 1 1987 at 10.00 a.m. for the purpose of having laid before them an account of the Liquidator's acts and dealings and that of the conduct of the winding up during the past year. Proxies to be used at the Meeting must be lodged with the Liquidator not later than 4.00 p.m. on the day before the meeting.

L. A. BRODER, Liquidator

April 10 1987

STATE LOAN OF THE KINGDOM OF HUNGARY
7½% (Now 2.75 per cent)
Sterling Bonds 1924

N. M. ROTHSCHILD & SONS LIMITED announce that the Coupons due 1st May 1987 from bonds which have been assented in London to the 1968 Offer may now be lodged with them, listed on the special forms which can be obtained on application. Coupons will be received on any business day between 9.30 a.m. and 2.00 p.m. and must be left for an appropriate period for examination.

New Court,
St. Swithin's Lane
London EC4P 4DU.
21st April 1987.

AIREY NEAVE MEMORIAL TRUST RESEARCH AWARDS

Write a book on:
Freedom under National Laws.
Closing date for completed applications, June 30 1987.
Send s.a.e. for forms to
Hon. Secretary (FT),
Airey Neave Memorial Trust,
House of Commons, London SW1.

Personal

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on April 16, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]		

SECTION III

Tuesday April 21 1987

FINANCIAL TIMES

SURVEY

CONTENTS

International Capital Markets

The rapid growth of international securities markets is waking up domestic stock exchanges and bringing a better service to companies and investors. But, as Euromarkets Editor **Alexander Nicoll** reports, the strains are beginning to show in cut-throat competition, management upheavals and cultural misunderstandings.

Warning signs in global game

In London the fierce competition is underlined by the rise to prominence of Japanese institutions in the bond market. Nomura International took first place in primary issuance in the first quarter of this year.

Ashley Ashwood

VISIONARY PHRASES, such as "globalisation of securities markets" and "serving customers in a single world marketplace," are now commonplace among the public utterances of top international bankers.

Individual capital markets have, indeed, become far more closely related to each other, mainly through innovations such as swaps: interest-rate and currency swap volume reached $300bn in 1986, according to estimates by Credit Suisse First Boston.

Liberalisation has opened up many domestic markets to new instruments and to new participants, often from abroad. Meanwhile, the Euromarkets—the prototype for the global marketplace—have continued to show remarkable expansion and innovation.

Investment banks have put much emphasis on their ability to provide services globally, and have consequently put significant effort into building up co-ordinated presences in the US, London and Tokyo markets as well as elsewhere.

Yet there remain a number of warning signals, which provoke doubts about whether the pace of globalisation can continue pell-mell as it has in recent years.

First, it has produced an unprecedented level of competition leading to an extraordinary shaving of profit margins. Bankers say that much international capital market business is unprofitable, but is undertaken because it may lead to other business—which may also be unprofitable. Clearly, this could eventually force many to drop out.

In London's newly deregulated Stock Exchange, securities firms have quickly found that it is not easy to be all things in all markets: the Midland Bank group, for example, has already withdrawn from equity market-making.

The rapid rise to prominence of Japanese securities houses and banks in the Eurobond market—with Nomura International capturing first place in primary issuance in the first quarter of 1987—underlines the fierce competition.

Second, the massive expansion of banks and securities houses outside their home centres has produced management and personnel problems. Cultural differences arise not only between houses of different nationalities operating in the same market, but within the houses themselves.

The London operations of Citicorp and Salomon Brothers have suffered a significant number of high-level defections in recent months; and the dismissal by Merrill Lynch of a senior executive in London, following insider-trading allegations in the US, has pointed to the difficulties it has experienced in its overseas expansion.

The Euromarkets have always seen a fairly high turnover of dealers moving from one house to another, but the pace within the last year, as young professionals have been lured by sky-high salaries, has been frantic. Some houses could consequently be finding it difficult to maintain a sound base for their continued expansion.

Third, the process of liberalisation has not been uniform. Disputes such as that between Britain and Japan over access to each other's markets—as well as persistent protectionist pressures in countries such as the US—raise the prospect of retaliatory moves, which could conceivably reverse recent liberalisation. This could occur particularly if there were serious financial accidents or changes of governments.

At the same time, there are moves towards more co-ordinated regulation, so far involving the US and UK. The London-based activities of the Euromarkets are about to undergo comprehensive regulation for the first time, as a result of new UK investor-protection law.

Fourth, the expansion of international business has taken place in a long bull market, with interest rates falling and stock markets booming around the world. Now, few believe US interest rates can fall further, and there have been repeated fears that the Federal Reserve might even force rates up by tightening credit policy to head off inflationary pressures exacerbated by the falling dollar.

Though the economic environment which has produced these conditions—steady economic growth, falling inflation, rising corporate profits—persists in most countries, markets must always be vulnerable to correction. This is particularly the case when serious imbalances have built up, such as annual $200bn US budget deficits. When markets begin to fall, the durability of globalisation will be tested.

So far, however, the picture has remained one of rapid growth. According to the Organisation for Economic Co-operation and Development, borrowing on international capital markets rose 17.4 per cent last year to $301.2bn from $256.5bn in 1985. The 1986 total was virtually double that in 1983.

In addition, Eurocommercial paper programmes with total potential issuance of $55.6bn were arranged last year, compared with $11.2bn in 1985, and international equity issues jumped to $11.3bn from $2.3bn.

The expansion of international bond market issues from $167.7bn in 1985 to $226.4bn last year—three times the 1983 total—came despite the fall of the dollar throughout the year, and interest rate worries in the latter part of it. On a net basis, issues rose from $131bn in 1985 to $161bn in 1986, even though early redemptions more than doubled to $41.1bn. The Euroyen market has become an increasingly important sector.

A decline in floating-rate note issues was more than offset by an increase in equity-linked bond issues, which doubled to $22.3bn.

The rapid growth of Eurocommercial paper into a reasonably mature market has been at the expense of note issuance facilities, which will be seen, in retrospect, as a transitional stage towards the establishment of a deep and flexible short-term sector of the Euromarkets. While it remains very difficult for dealers to make money out of this business, because of cut-throat promotional competition, a core of successful and hopefully profitable dealers is emerging.

Despite the growth of both issuance and secondary trading in the bond market—the latter exceeded $3,000bn last year—it suffered one of the most serious setbacks in its history last year when trading in an entire $17bn sector, that of perpetual floating rate notes, seized up. The failure of the paper to be firmly placed with investors rebounded on the professionals, who were washing the paper round among themselves and consequently could find no bottom when a sell-off began.

The crisis caused losses for many Eurobond houses as well as for the Japanese banks, which remain the largest holders of the paper. Virtually all of the 40-odd houses which had made markets in the paper are no longer doing so. The events served to underline the malaise of the floating-rate note sector as a whole and will remain as a salutary lesson that end-investors must be found for innovative instruments.

The rise of equity-linked bonds, encouraged by the strength of stock markets, has been paralleled by growth in the Euro-equity market—where shares are distributed using Eurobond syndication methods—and by expansion of international equity trading.

Though absence of depth in the Euro-equity market was suggested by the difficulties in securing a $2bn placing of Fiat shares last autumn, causing internal rows in the market as well as a sharp fall in the share price, there have also been success stories: the international portions of major British and French privatisations have, for example, been very well received.

Amid the reforms of the London markets, international houses have essentially taken over the Stock Exchange. They have ambitious plans for it to become the focal point of international share trading through a new automated share quotation system.

The reforms in London arising out of last October's Big Bang, are the best example of the disappearance of barriers between domestic and international markets. Foreign firms, previously strong in the Euromarkets but barred from the Stock Exchange, are now active participants in the UK markets.

This phenomenon can produce strains. But so far, it has shown globalisation shaking up a sleepy and relatively inactive domestic market and introducing competition which should reduce costs for companies and investors alike.

Economic outlook

OECD counsels patience in tackling imbalances

THE MAIN task facing international policymakers in 1987 remains the need to tackle major world current account imbalances, while maintaining low inflation and strengthening the momentum of output and employment growth.

So wrote the Organisation for Economic Co-operation and Development in its last Economic Outlook in December. The OECD warned of the dangers of impatience with the pace of reductions in large surpluses and deficits which could either provoke disorderly foreign exchange market conditions or lead to intensified protectionist measures.

It argued that either could impair the strength of world growth, forecast at about 2¾ per cent in OECD nations overall in 1987, after little more than 2½ per cent growth in 1986.

"It is therefore important for national authorities to agree—and to be seen to agree—on the international requirements for adjustment over the medium term, and to pursue the policies which flow from these," it said.

The subsequent Paris meeting of the Group of Five and Group of Seven leading industrial nations at the end of February addressed itself to the mounting anxiety in currency markets about persistent trade imbalances and the status of exchange rate policy.

Dubbed Plaza II by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, the Paris accord reaffirmed commitments to economic cooperation and the monitoring of economic performance through a set of recognisable indicators. There was also a new commitment to stabilising currencies at around the levels prevailing at the time.

An agreement to intervene jointly to pin currencies down in these ranges, signed by the Group of Five nations and Canada, was the successor to the pact signed at the Plaza Hotel in New York in September 1985 which agreed to force the dollar's value down.

February's agreement aimed to bring at least a temporary end to that process and succeeded in keeping currencies stable for a few weeks.

However, mounting trade friction between the US and Japan provided the backdrop to a severe test on the accord in late March and, despite widespread central bank intervention, the dollar fell to record lows against the yen. It also started to weaken against other major currencies at the heart of the Paris accord.

The Paris communique did not spell out how long the currency stability was envisaged to last although senior British officials said the six nations wanted the pause to last long enough to see more of the J-curve effects of the dollar's devaluation on the trade balance feed through.

The case for an "exchange rate pause," as the OECD puts it, is based largely on the problems of digesting the effects of rapid currency movements—the boost to the price level in depreciating countries, the contractionary effects of demand in appreciating countries and the tensions associated with rapid changes in relative prices in both group of countries.

"In addition, there is considerable uncertainty about the ultimate size of the effects of the large exchange rate changes that have now occurred," the OECD said.

Any further adjustment of policy is likely to depend partly on the speed and extent of the reaction of Japan and West Germany's trade surpluses and the US deficit to the dollar's 20 per cent fall since Plaza.

This process has been painfully slow, provoking exactly the impatience in some quarters in the US which the OECD warned against. Nevertheless, most major forecasting groups expect some progress.

The National Institute for Economic and Social Research confidently predicted in February that the US trade deficit would not persist for the rest of the decade. Its calculations suggest that if the dollar were to remain at its end-1986 level and domestic demand were to grow at 3 per cent in the US and overseas, the current balance deficit would be around half its 1986 value by around 1989.

It concludes that, although the effects of the dollar's fall so far are sizable, they are not enough on their own to restore current balance equilibrium.

The National Institute forecasts that the dollar will fall by a further 10 per cent in 1987 from the levels prevailing at the end of last year, accompanied by an appreciation in the West German D-mark of roughly the same size and a rather more modest appreciation in the Japanese yen.

Most main forecasts suggest that dollar is only about 10 per cent above levels which would be sustainable in the medium-term both in terms of other major currencies and with a view to tackling the US current account deficit.

The onus of addressing current account imbalances now appears to rest on adjustments in fiscal rather than monetary policy. Certainly, the broad official view appears to be that currency adjustment have played as large a part as necessary for the time being.

The Paris accord packaged together a series of commitments on fiscal policy. The US promised to continue with efforts to cut its budget deficit while Japan and West Germany indicated that they would be prepared to make efforts to boost domestic demand.

The fact that the world's economies have already embarked on a path of economic convergence should provide a favourable background to current attempts to stabilise currencies.

Fiscal policies, inflation rates and the pace of economic growth in different countries are all moving closer together.

Economists at Goldman Sachs International Corporation predict that 1987 is likely to be another year of low underlying global inflation and one in which the divergence between high and low inflation countries remains relatively small.

Goldman Sachs expects an increase in recorded OECD consumer price inflation to about 2½ per cent from 2 per cent in 1986, reflecting a rebound in oil prices rather than an increase in underlying inflation. On growth, it forecasts GNP within a 2 per cent to 3 per cent band in the US, West Germany, Japan, France and Canada.

The OECD forecasts that inflation is likely to stabilise through 1987 and into 1988 at an annual rate of some 3 per cent, the lowest since the first half of the 1960s.

Domestic demand in the OECD area is expected to expand at an average annual rate of some 3 per cent from mid-1986 to early-1988 with GNP growth slightly lower.

Janet Bush

US government securities market

Japanese established as traders

AN UNUSUAL calm had settled over the US government securities market until this month's sharp fall. An unchanging economic out-look gave investors little reason for actively trading their portfolios.

With scant hope of retail investor interest picking up in the foreseeable future, dealers have turned increasingly to trading among themselves, to generate enough volume to earn some profits, or at least cover their fixed costs. But the lack of price volatility has turned even this make-work activity into an uphill battle.

Against this lacklustre trading background, the largest, and most liquid, securities market in the world, with some $2,106bn of outstanding issues, continues to adapt rapidly to structural changes among its players.

Most important, this past year has seen a rapid encroachment of the Japanese. Not only have they consolidated their position as influential investors in US government securities, but they have also become firmly established as traders. Two Japanese firms, Nomura Securities and Daiwa Securities, won last December the coveted status of primary dealers. The Federal Reserve is expected to approve other Japanese firms this year.

Before the doldrums set in almost a year ago, the market had enjoyed a rousing rally during the first four months of 1986. The yield on the benchmark 30-year long bond, for example, fell from 9.30 per cent to 7.12 per cent, reaping investors a handsome 25 per cent capital appreciation.

If dealers thrive on volatility, they must have enjoyed last spring. Shortly before the discount rate was cut in April last year, bond prices leapt 3¼ points in a day. The next week they fell six points in what Dr Henry Kaufman of Salomon Brothers called "the largest one-week price retreat in history." Other troubles lay ahead. Japanese investors cornered the supply of long bonds offered at the Treasury's May refunding and the resulting squeeze cost Wall Street dealers an estimated $500m.

But the price volatility dampened down as the US economy settled into a low growth/low inflation rate rut. Between April and year end the yield on the 9¼ per cent benchmark long bond move in a narrow range of 7.10 per cent to 7.90 per cent. Life has become even more subdued this year with the new 7½ per cent long bond moving in an extremely narrow 20 basis points groove around its par yield.

On only three days so far this year have prices moved more than a point. By some measures, market volatility has fallen to the lowest level since the mid-1970s, Salomon Brothers concluded recently.

Since the last flurry of retail buying brought on by year-end housekeeping, dealers have been doing a lot more business than usual with each other. Whereas some retail investors say they are buying and selling from dealers only one quarter their usual volume of bonds, Federal Reserve statistics show a smaller drop in trading activity reported by primary dealers.

A typical daily volume in the government securities market last spring was around $100bn, with a record of $135bn set in early March during the most feverish stage of the rally. The daily volume was still around $100bn at year end, although in absolute terms that represented a decline in activity. This is because the pool of outstanding securities continues to grow as the US government funds its deficit. By the middle of last month the daily volume was down to around $95bn.

As hard as they try, dealers cannot stir up much buying interest from investors because nobody can make a convincing case yet that some change in growth or inflation rates is imminent. The stability has been reinforced by the dollar's steady performance on foreign exchange markets since the late February meeting of finance ministers of industrialised countries in Paris.

As long as the dollar remains stable, Japanese investors will continue to demonstrate a healthy appetite for US government securities. Over the last few quarterly refundings, they have typically taken roughly one-quarter of the $30bn of securities offered.

But the first signs of a falling dollar will bring renewed strong hints from the Japanese that they will refuse to buy more bonds. They are not keen to compound the considerable foreign exchange losses they have suffered on their existing holdings. The latest bout of concern struck at the February refunding but the dollar calmed down enough as the auctions began to ensure a full Japanese turnout.

Although Japanese investors have a huge volume of dollars to deploy because of Japan's enormous current account surpluses, US government bond markets can no longer assume it will all come their way. The Japanese are growing more sophisticated and selective, diversifying from long-dated bonds into shorter maturities and by adding equities, real estate and direct investment to their portfolios.

The broadening of their investment goals is mirrored by the diversification of Japanese investment dealers' activities on Wall Street. They are all building up additional capabilities in such areas as corporate bonds and mergers and acquisitions.

None the less, an active role in government securities remains the bedrock of their activities, with primary dealership the seal of high standing. The most practical way to achieve this status is to buy an existing dealer and about 12 organisations, are aspiring primary dealers.

Just as the attractiveness of the fast-growing US government securities market is drawing in more new dealers, so too is it causing a shake up among the brokers which "oil" the market by providing a system through which dealers can trade anonymously.

Salomon Brothers forced the changes by buying an existing broker, renaming it Liberty Brokerage and offering other dealers, including banks, shares in it. By threatening to divert all their business to their own broker, the dealers rapidly forced late in 1985 a halving of brokers' commissions to $39 per $1m of securities.

The brokers have begun to rebuild their profits by cutting costs and making the most of growing volumes. The government securities market has enjoyed a near tripling in its volume of business over the past five years. Although total market volume has hit a plateau for now, the brokers are involved in a growing share of trades, currently around 55 per cent, and they look forward to resumed growth of total trading activity.

But the competition could be intense. Liberty Brokerage had remained a fairly low keyed operation while it cleared a series of regulatory and anti-trust hurdles. With those issues settled last month, markets are expecting it to become a more aggressive player. In present market conditions, a tough business will become even more ruthless.

Roderick Oram

Eurobonds and Euro-equities

Overcrowding inhibits new issues

THE EUROBOND market's ability to adapt to change—a quality for which it is renowned—is being tested to the full at the moment. In the secondary market, dealers are having to comply with the first real trading rules they have ever come across, and more rigorous measures are mooted.

Meanwhile, new-issue managers are finding it increasingly difficult to sell their traditional product—the Eurodollar bond—and are searching around for more marketable alternatives. Some are looking beyond the bond market altogether to the more lucrative international equities market.

Their urgent need to diversify out of Eurodollar bonds can be explained partly by changes in investors' preferences. The prolonged decline in the dollar has sent non-dollar based investors into other markets, while institutions with natural dollar liabilities have been preferring to stay in the US Treasury bond market—because it is much more liquid than the Eurobond sector.

But their reluctance to buy Eurodollar bonds can be explained partly by the behaviour of the Eurobond market itself. Although turnover has expanded dramatically—totalling more than $1,000bn in the last quarter of 1986—nevertheless many new issues have fallen into neglect in the secondary market.

Overcrowding lies at the heart of the new issues market's problems. Not only has the output of bonds become too great for investor demand, but competition for mandates has made unrealistic pricing widespread.

The picture has been changing this year, however. Eurodollar bond issuance has dropped sharply, falling to only 36 per cent of the new issues total in the first quarter. But this reflects blockage in the market, and especially the floating rate note market, as much as any new spirit of restraint among syndicate managers.

Inevitably, the relative decline of the Eurodollar sector has been reflected in rankings in the closely-watched book running league tables. Houses active in the so-called "currency" sectors — including those in the Eurosterling and Australian dollar markets, as well as the Deutsche Mark market — have tended to gain at the expense of some of the traditional leading houses who built up their position on the back of Eurodollar business.

But the chief beneficiaries have been the Japanese houses, whose ascent up the league tables was highlighted when Nomura International toppled Credit Suisse First Boston from first position at the end of the first quarter this year.

Part of these houses' success can be attributed to the popularity of the Euroyen sector this year. This has been fuelled by the increased participation of the Japanese institutions. Their limits on overseas bond investments has been eased over the past year, and they are attracted to Euroyen bonds because they provide higher coupons than domestic yen bonds.

This has led many borrowers to tap the Euroyen sector who might otherwise have borrowed directly in dollars, and the Japanese securities houses have been getting the lion's share of the business.

The expansion of their activities in Euroyen has topped up their other output, which is mainly concentrated in two areas: in equity related bonds, for Japanese companies; and speciality deals designed to suit the particular cash flows of Japanese investors.

But where they have taken business away from the US and European houses, they have provoked considerable criticism. Rivals accuse them of subsidising borrowers' costs in order to buy market share, making use of the vast profits accumulated from trading in domestic markets in Japan.

If the Japanese are set to sweep the board in the new issues market this year, European and US houses can at least reflect that they have a new market to pin their hopes upon: the Euro-equity market. This is so-called because it involves applying Eurobond syndication techniques to international equity offerings.

Bankers are enthusiastic about the growth prospects for this market, which began in 1984 but has taken off over the past year or so, helped along by a number of government privatisations. Companies are increasingly easy to persuade of the advantages of internationalising their shareholder base, and advances in technology have enabled international share trading to grow space.

Fees on Euro-equity issues are much higher than Eurobond issues—another inducement to build up a presence in the market. But, compared with Eurobonds, equities have to be handled with kid gloves. The problems the market can encounter if it tries to treat an equity issue like a self-contained Eurobond were underlined with the sale in the Euromarket of $2bn worth of Fiat shares last autumn.

The deal encountered a variety of problems, including a sharp fall in Fiat's share price on the Milan stock exchange, and the fact that some of the shares on offer—savings and preference—shares, were illiquid.

But these difficulties were excerbated by the extreme speed with which the co-management group was assembled. Unprepared underwriters were unable to sound out investor demand ahead of time, and the same set of investors were assailed with phone calls from different underwriters. Confusion was increased when Deutsche Bank, the lead manager, failed to explain the settlement and clearing arrangements for the new shares.

Since then, players in the Euro-equity market have been keen to stress the importance of giving potential co-managers enough time to consider their participations, and of measures to ensure that the new shares are not immediately sold back into the country of origin.

In the Eurobond secondary market, the Association of International Bond Dealers has been busy over the past year devising new trading methods. If all the ideas that are mooted are put into place, the present informal telephone trading arrangements will be replaced by a fully automated price display and dealing system, complete with trade matching facilities, automated confirmations, and a computer interface to the Eurobond clearing systems.

The impetus to these radical suggestions has come from two sources: first, a general recognition of the need to improve the liquidity and transparency of the market, and second the regulatory changes in the City of London associated with last October's Big Bang. The AIBD has seen that it needs to impose more rigorous price reporting rules if it is to fulfil its ambition of becoming a recognised investment exchange within the new structure in London.

Prominent figures in the AIBD, however, are keener to stress the first reason than the second, for fear of being seen to export UK legislation to their European members.

Since the beginning of this year, dealers in Eurodollar straight bonds have had to report closing bid and offered prices in all bonds in which they have committed themselves to making markets. Since March 2, they have been required to report highs and lows as well.

Clare Pearson

Swaps

Regulators cramp market's growth

THE SWAPS market has matured. Worldwide deals are commonplace; documentation is being standardised; and the authorities have moved in to regulate.

Swaps are agreements whereby two parties agree to exchange the payment or receipt of income streams. Deals can be arranged because the counterparties differ in their views on the likely direction of exchange and interest rates; for example, a corporation which believed that interest rates were set to rise might switch from floating rate debt to fixed.

Often swaps are arranged to take advantage of arbitrage possibilities. Companies can raise finance in the market in which they have a comparative advantage and then swap into the currency or interest benchmark they require.

The Eurobond market has long had a symbiotic relationship with swaps; for a while around 80 per cent of issues were linked to a swap deal and nearly all issues in currencies like the Australian and New Zealand dollar are still swap-related.

But the real explosion in capital markets in the last two years has been the growth of the asset swap. Asset swaps involve an investor passing on an income stream from a bond to a counterparty and receiving payment in a different form in return.

Investment banks have become increasingly sophisticated at producing so-called synthetic bonds. They do so by spotting issues which appear cheap and therefore high-yielding and then repackaging them as assets with a different payment structure.

This process has been institutionalised by banks like Morgan Guaranty which repackaged a Denmark Deutsche Mark floating-rate note via a currency swap and then transformed it into publicly traded issues called Stars and Stripes, denominated in dollars and sterling respectively. The new notes offered investors a margin over London Interbank Offer Rate (Libor), compared with a margin under London Interbank Bid Rate (Libid) paid on the original issue, as well as being more tradeable than the traditional asset swap.

In addition to providing opportunities for smart investment banks, the growth in the asset swap market provides the opportunity for a more sophisticated approach to investment problems by portfolio management.

Just as corporate treasurers can now adjust their debt profile by interest rate and currency swaps, fund managers are now increasingly able to switch their fixed/floating mix and to take advantage of arbitrage opportunities.

As the swaps market has widened and matured, so the need has increased for the production of a standard format for swap deals. The International Swap Dealers Association (ISDA) which was formed in 1985 by the leading players in the market recently produced a set of standardised documents.

"The new contracts will accelerate the process and reduce the expense of swap documentation," said Mr Thomas Jasper, managing director at Salomon Brothers and an ISDA co-chairman. "Use of the contracts should speed the negotiation of mechanical provisions, enabling the parties to concentrate on business terms," he said.

So the swaps market now has its own association and its own rules to complement its phenomenal growth—volume has increased from $3bn at the end of 1983 to around $300bn last year.

But the image of an untroubled, fast-growing market is not a complete one. The regulators have moved in. Market experts are still reacting to the new proposals from the Bank of England and the Federal Reserve for capital backing for off-balance sheet instruments.

The essence of the proposals was that off-balance sheet instruments should be weighted to determine their risk profile. Instruments which fall into the class of "off-balance sheet," apart from swaps, were forward rate agreements, interest rate options, forward foreign exchange contracts and foreign currency options.

The fear of the regulators is that if one swap counterparty were to default then the banks in the middle would be faced with the prospect of meeting the defaulter's payments. If interest or exchange rates moved dramatically in the life of the swap, that could prove an expensive liability.

Capital backing, under the proposals, would be needed to cover the so-called "credit equivalent amount." Determining the value of that would be a multi-step process. First, the contract would be market-to-market, that is given a present value, based on what it would be worth if sold. Then, and this is the more contentious part, an estimate will be made of the potential future credit exposure.

The potential exposure will be calculated with a conversion factor, which will vary according to the nature and maturity of the contract. Interest rate swaps will carry a conversion factor of ½-1 per cent per complete year and currency swaps will have a sliding scale beginning with 1-2 per cent on a three day to one month contract, building up to 5-10 per cent on contracts lasting one year or longer.

Swap dealers were particularly unhappy about the inclusion of the potential exposure factor which they believe will merely force US and UK banks to widen spreads and thus allow their European and Japanese competitors to undercut them. They believe that the inclusion of potential exposure and current exposure involves an element of double counting which will make the whole process needlessly complicated.

Philip Coggan

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New issue 4th March, 1987

U.S. $100,000,000

société nationale elf aquitaine

7¾ per cent. Bonds due 1997

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited
Nomura International Limited

Algemene Bank Nederland N.V.
Banque Bruxelles Lambert S.A.
Banque Indosuez
Banque Nationale de Paris
Banque Paribas Capital Markets Limited
Commerzbank Aktiengesellschaft
Goldman Sachs International Corp.
Morgan Guaranty Ltd
Morgan Stanley International
Société Générale

S.G. Warburg Securities

This announcement appears as a matter of record only.

New issue 25th March, 1987

FEDERAL INDUSTRIES

Can. $40,000,000

Federal Industries Ltd.

9¼ per cent. Debentures due 1992

Issue Price 100⅜ per cent.

Union Bank of Switzerland (Securities) Limited

BankAmerica Capital Markets Group
Bank of Montreal Capital Markets Limited
The Bank of Nova Scotia Group
Banque Bruxelles Lambert S.A.

Dresdner Bank Aktiengesellschaft

This announcement appears as a matter of record only.

New issue 2nd March, 1987

Can. $100,000,000

8½ per cent. Receipts for Government of Canada Bonds due 1994

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited
Burns Fry Limited
Bank of Montreal Capital Markets Limited
The Bank of Nova Scotia Group
Banque Bruxelles Lambert S.A.
Dominion Securities Inc.
Dresdner Bank Aktiengesellschaft
McLeod Young Weir International Limited
Morgan Guaranty Ltd
Orion Royal Bank Limited
Swiss Volksbank
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New issue 19th March, 1987

U.S. $250,000,000

General Electric Credit Corporation

(Incorporated in the State of New York, U.S.A.)
The foregoing Corporation is an affiliate of General Electric Company, U.S.A.

7⅞ per cent. Notes due 1992

Issue Price 101.65 per cent.

Union Bank of Switzerland (Securities) Limited

Julius Baer International Limited
Banco di Napoli
BankAmerica Capital Markets Group
Bank für Gemeinwirtschaft Aktiengesellschaft
Bayerische Landesbank Girozentrale
Berliner Handels- und Frankfurter Bank
Credito Italiano
Dominion Securities Inc.
Gefina International Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
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Vereins- und Westbank Aktiengesellschaft

Equity-related bonds

Back in favour after two years' rising markets

AFTER A year of record issuance of equity-related bonds into the international market, it seems hardly credible that just two years ago there was concern that there would be no instruments to trade by the end of the decade.

Convertible bonds, mostly from US borrowers and brought to market in the late 1960s, were starting to mature, and the stock of equity-related paper was in steep decline. "The liquidity of the market was starting to dry up in 1984-85, and we were becoming concerned that there would be no Euroconvertible market by the end of the decade," said Ms Sarah Allen, research analyst at Berisford Cresbale, which specialises in trading equity-linked instruments.

Euromarkets

Equity-linked bond issues

	Convertibles	Equity warrant issues
1984	\$4.2bn	\$2.6bn
1985	\$4.6bn	\$2.7bn
1986	\$6.5bn	\$15.3bn
1987	\$1.8bn	\$7.0bn

*First three months

Source: Morgan Stanley

What has happened since has put paid to those fears for now. Equity-linked bonds have always been bull-market instruments, and the rising stock markets worldwide over the past two years have brought such bonds back into favour.

Around \$22bn of equity-related paper was brought to market in 1986, compared with just over \$7bn issued in the international markets during 1985.

But the most remarkable feature of 1986 was the surge in popularity of bonds with equity warrants, the issuance of which rose five-fold to \$15bn, from \$2.7bn in 1985. In the first three months of 1987, a further \$7bn of such instruments were brought to market.

The main reason for this growth in equity-warrant issues has been the realisation of many Japanese firms that such instruments represent a cheap and effective form of finance.

Part of the reason for this has been the growth of the swap markets. The use of currency swaps to create cheap finance is well developed in the straight Eurobond market, but because of uncertainty about the timing of any conversion into shares, swaps cannot be used with convertible bonds.

"Equity-warrant issues give you pure debt finance, and that's likely to be attractive with interest rates at record lows in many currencies. You can lock in these lower rates with greater certainty with a debt issue with equity warrants, and you can swap the funds. You can't swap a convertible," said David Freud, of Warburg Securities.

The relative cheapness of the financing is delivered, because the warrants and the bonds appeal to different markets, and are readily split.

In rising stock markets, warrants giving holders the right to subscribe to shares at a fixed price, are an exciting, highly-leveraged, speculative play. Price performance of a warrant can outstrip the underlying stock by many times.

But increasingly, warrants are being depicted as a device through which the most conservative of fund managers can insure portfolio performance. "We see the use of warrants as a whole activity that's just starting on this side of the Atlantic as people become more and more convinced about portfolio insurance," said Amir Eilon, of Morgan Stanley International, in London.

It's an area in which US fund managers are well ahead of their European counterparts. A typical insured portfolio, for example, would consist of government bonds and equity warrants (the equivalent of long-term calls), instead of purely stocks. An alternative would be to hold stocks and put options.

In this sense, warrants are a long-term alternative to the options markets.

There have been a number of developments to take this insurance concept further. Morgan Stanley, for example, has developed and issued warrants which are effectively calls and puts on an index of 20 US blue-chip stocks. Apart from helping to get over the difficulty of using regular equity warrants as a proxy for a put option (going short of a warrant is a treacherous business), the development allows a fund manager more easily to hedge the market.

But, as Mr Eilon says: "The whole concept of indexation is at its birth in the Euromarkets. Here they still pick stocks rather than the index."

While there are sophisticated warrant investors in Europe, Mr Eilon and others believe there is too much of a focus on the premium of the exercise price over the stock price, an imprecise concept. In the US, the focus is much more on the volatility of warrants.

As Mr Andy Herbert, of Berisford Cresvale, explains. "When the price of a stock goes down, the warrants to buy that stock do not necessarily fall by an equivalent amount, because the premium rises."

In another development, issuers are discovering increasingly that they can reduce their cost of their own debt financing by issuing warrants into the equity of other companies. Here the question of credit risks becomes of heightened importance to the investor.

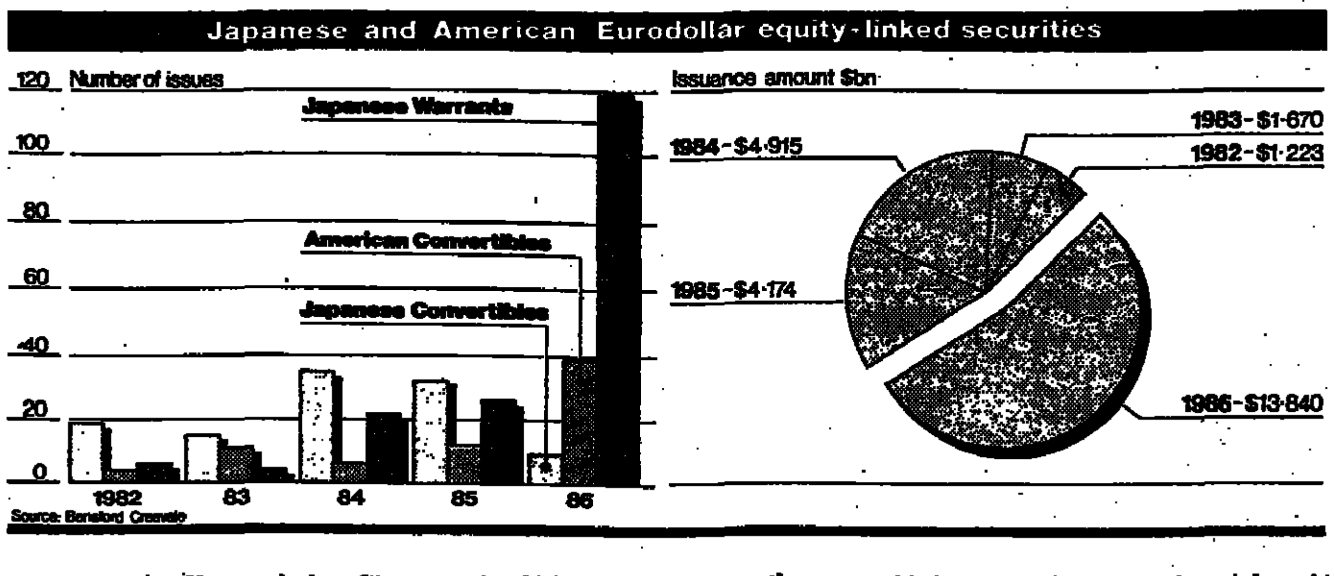
Some investors have also expressed concern that, particularly in the case of the Japanese market, the price of an underlying share performs unusually well immediately before an equity warrants issue is brought to market.

But the convertible debt market has also seen some developments, most notably in issues by British companies brought in sterling. The final maturity of most of these issues is in the next century, but they carry an investor put option, usually after five years, which guarantees a yield of only a percentage point or so below an equivalent straight bond.

These convertibles have found particular favour with Swiss investors, who benefit from their tax treatment. If the underlying share performs badly, they can put the bond at a premium, which is treated as a capital gain rather than as income. If the share performs well, then so does the convertible. From the issuers' point of view, the bond is really a bet that the company's shares will do well enough to stop the holders putting the bond, and spread out the company's shareholder base.

Stephen Fidler

Japanese and American Eurodollar equity-linked securities



Source: Berisford Cresvale

Eurodollar fixed-rate bonds

Outlook uncertain while the dollar is under threat

IT IS rarely possible to please both borrowers and lenders in any bond market for long. In the dollar market, declining interest rates for some years have enabled both issuers to find willing buyers at ever decreasing rates, and investors to make capital gains on top of their relatively high yields.

But this process has at last ground to a halt in the Eurodollar fixed rate market. For, although interest rates were still falling early last year, by the summer they seemed to have approached the bottom of the cycle. Indeed, yields have been unable to break through the 7 per cent barrier and have backed up somewhat.

The added problem has been the sharp fall in the US dollar. For non-dollar based investors, who form the bulk of Eurobond purchasers, the strength of the dollar in earlier years had given them currency gains to add to their relatively high coupons and capital gains.

Since the dollar started to fall in 1985, investors have been increasingly wary of buying dollar-denominated paper. So, when the fall in yields also ceased, they lost interest altogether, switching their attention to other currency sectors in the search for either higher yields or more stable exchange rates.

Borrowers, on the other hand, have seen the lower level of interest rates as an ideal time to lock into fairly cheap fixed-rate debt, to keep their interest costs down for years ahead. And many borrowers shifted their fundraising from the floating-rate sector, where they would have been vulnerable to any rise in interest rates once more.

So issuing activity has been maintained at a higher level than demand for the paper would justify. According to Merrill Lynch, Eurodollar fixed-rate issues totalled \$59.8bn in 1986, compared to \$43.5bn in 1985, while the volume of floating-rate note new issues dropped from \$48.6bn to \$39.2bn. Since the turn of the year, though, new issues in the dollar sector have fallen well behind other currency deals.

Part of the reason has been the amount of older, higher priced paper which borrowers have redeemed early in order to refinance the debt at the lower rates now prevailing or to retire them altogether. Merrill Lynch estimates that \$11.8bn worth of fixed rate Eurodollar issues were called prior to maturity in 1986, a rise from \$4.9bn in 1985. US corporate borrowers led the trend calling 55 issues.

The effect of the investors strike in Eurodollar bonds has been to shift the relative yields between Eurodollar bonds and US domestic bonds, where investors are generally not so concerned about the weakness of the currency.

Whereas, a few years ago, the best-rated borrowers could raise money in the Eurodollar market at yields lower even than the US Treasury's borrowing rates, a combination of the lifting of withholding tax on domestic bonds and the lack of interest has pushed up Eurodollar bond yields to as much as one percentage point above US Treasury yields for issues with the same maturity.

The returns made from Eurodollar bonds have therefore been less than those made in the US domestic market. In 1986, the return from Eurodollar fixed-rate bonds averaged 13.9 per cent, while that on US Treasury bonds averaged 15.4 per cent.

In turn, that has had an effect on issuers' plans. Many have preferred to borrow in the US domestic market where yields are lower, an option readily available to US corporates and to sovereigns and supranational borrowers in the Yankee market.

At the same time, interest-rate swaps have been much harder to arrange, both because of the relative imbalance in yields and also because of the lack of demand for floating rate paper.

The only real exception to the lack of interest in dollar paper has been convertible issues. Here, investors are attracted by the chance of sharing in the booming equity markets around the world, while still earning a reasonable yield.

The outlook for the market remains very uncertain. While the dollar continues to look under threat, a revival in interest from Eurobond investors seems unlikely. Many believe that a recovery in the dollar is inevitable eventually—but not just yet. If that recovery is delayed for long, it might coincide with the expected upturn in inflation and interest rates, which could then keep the market dull for some time. The good times for the Eurodollar bond market are over.

Maggie Urry

Floating-rate notes

Rivalry triggers severe shakeout

HARD TIMES have come to the floating rate note (FRN) market. A breakdown of confidence, which was first concentrated on the perpetual issues but spread to bonds with fixed maturities, has virtually closed the new issues market since the beginning of the year, and at some points caused a suspension of trading almost across the board in the FRN market.

The market is used to a shakeout now and again, but it has never before experienced one so severe and prolonged. What triggered it?

Most believe the competitive pressures in the new issues market were at the heart of the problem. FRNs appeal mainly to banks, for which they represent replacements for loan business taken away from them by the growth of the securities market.

The bulk of such investors require the returns on FRNs at least to match funding costs in the London interbank market. But the issuing houses in the FRN market have been under pressure to pare borrowing costs to levels below those acceptable to this type of investor.

The pressure has come from competition from two main alternative sources of funds: the Euro-commercial paper market, and the interest rate swap market, which enables borrowers to exchange the proceeds of fixed rate bonds for floating rate money.

These factors produced ever-lower coupons on bank issues, the lowest point was reached with two FRNs for Denmark and the United Kingdom, launched late last summer. These had coupons fixed at below the London interbank bid rate. Underwriters argued that coupons like this were justifiable for sovereign credits, because they should trade not like bank FRNs but like issues in the US Treasury bill market.

The argument rested on the assumption of liquidity in the FRN market as a whole, however. In fact, liquidity was undermined by the knock to confidence caused by the appearance of aggressively priced issues like this. Diminishing investor demand led underwriters to increase their positions in new issues, which proved to be destabilising for the market as a whole.

The chain broke last December at its weakest point — in the \$17bn market for perpetual issues, which are mainly issued by banks, because, in some countries, they are recognised as primary capital, and which may never be repaid.

Issuance of these types of bonds had surged during the second half of last year: according to Salomon Brothers, it reached nearly \$6.4bn, a jump of over 215 per cent on the first-half volume.

From their beginnings in 1985, primary capital issues for banks posed problems for investors, not only because they were undated but also because coupon payments could be jeopardised if the issuer got into difficulties.

These problems were originally overcome by the relatively generous income that they paid, and because of the market's confidence in the UK banking systems — UK institutions were the earliest issuers.

During the course of 1986, however, margins on new perpetuals were progressively pared, and banks in more and more countries, such as Australia and Canada, issued them. The declining yield advantage and the oversupply sparked a sell-off in the market.

By early this year they had virtually ceased trading, as investor demand had all but dried up. Though they represent only a small proportion of outstanding FRNs, the scare spread to the conventional FRN market, helped along by the resurgence of Latin American debt worries.

In the aftermath, only one market maker has publicly stated that it is closing down its FRN market-making operations—Orion Royal Bank—but others are believed to have discreetly shut up shop in certain types of issues.

FRNs now look cheap for investors, as their returns compare favourably with those in the syndicated loan market. Dealers hope, therefore, that investors will come bargain-hunting, especially as the end of the Japanese year (March 31) usually triggers renewed buying from the Japanese banks—key investors in this market.

But the episode has underlined how fragile the liquidity of the FRN market is. During the crisis early in March, most dealers had to give up making firm prices to each other, and switch to dealing on a negotiated basis, as market makers were failing to answer their telephones to each other for fear of getting hit.

Only one sizeable conventional issue has been launched so far this year: a \$100m deal for Marine Midland.

But thwarted borrowers can comfort themselves with the reflection that they had scaled down their FRN funding substantially over the past year anyway. According to Salomon Brothers, issuance in the Eurodollar FRN market declined by 20 per cent to \$38bn during 1986, after rising steadily for 10 years. About \$21bn of bonds were redeemed, as borrowers switched into cheaper sources of funding.

Nevertheless, the FRN market still represents their only means of obtaining "jumbo" financings, such as the United Kingdom's \$4bn deal last September.

Amid all the doom and gloom in the market, one type of bond remains healthy: the mortgage-backed issue—a form imported from the US.

A new type appeared in the Eurobond market last November: the collateralised mortgage obligation (CMO) which is directly linked to a pool of mortgages, guaranteed by one of the US government agencies. The bond is serviced by cash-flows from the pool. Though the mortgages themselves are of varying maturities, they are rearranged to give the issue a notional average life.

So far, these issues have proved popular with investors, because they provide an attractive yield over London interbank offered rate and also a high quality credit rating.

Clare Pearson

Eurosterling bonds

High coupon and a firm currency

WHEN ATTENTION turned from the dollar bond market, investors had to cast around for alternatives, and the Eurosterling market has been one of the beneficiaries.

The drawback for sterling, though, is that it falls neither into the soft-currency/high-coupon grouping, such as Australian dollars, nor in the hard-currency/low-coupon area such as Deutsche Marks and yen, so it can sit a little oddly in investors' portfolios.

On the other hand, that combination of a relatively high coupon with a fairly firm currency is Eurosterling's attraction. Apart from periods such as last autumn, when a sterling crisis prompted a rise in UK interest rates, just the worst mixture, sterling has been seen as an improving currency.

As a result, investors can hope for currency gains on top of the yield and capital profits on their holdings. While in sterling terms the total return on Eurosterling bonds averaged 9.95 per cent, according to Merrill Lynch, the return when translated into dollars was 11.27 per cent. The further gains by the pound against the dollar in 1987 give investors yet more gains.

Borrowers were not slow to see this opportunity, and new issues of all types of Eurosterling bonds totalled £6.9bn in 1986, compared with £4.3bn in 1985, Samuel Montagu estimates. Nor did the UK Government ignore the chance to sell debt to overseas investors, and most gilt-edged stocks issued carried the tax-free-to-residents-abroad feature.

More recently the sharp moves in the gilt-edged market, bringing yields down sharply, has to some extent made borrowing in Eurosterling more difficult rather than less. Because Eurosterling yields have lagged behind gilt-edged yields, it has not been possible to arrange swaps giving attractive borrowing costs to issuers. So the market has become more dominated by issuers who actually want sterling, such as UK corporates and building societies.

The former group of borrowers have also opened up a long-term market in Eurosterling bonds. Imperial Chemical Industries led the way with a 17-year issue launched soon after the budget last year. At those long maturities, swaps are not possible, and this area of the market is of interest only to the likes of ICI and the handful of other borrowers which followed it.

Similarly, the UK corporates have been active in the expansion of the equity-related issues which have been flooding into the Eurosterling market. Both convertibles and bonds with equity warrants have proved popular, with investors keen to get in on the booming UK stockmarket. To the issuers, convertible debt appears cheaper, because lower interest payments are made in return for the investors' option to switch into shares at a premium to the market price of the equity when the issue is priced.

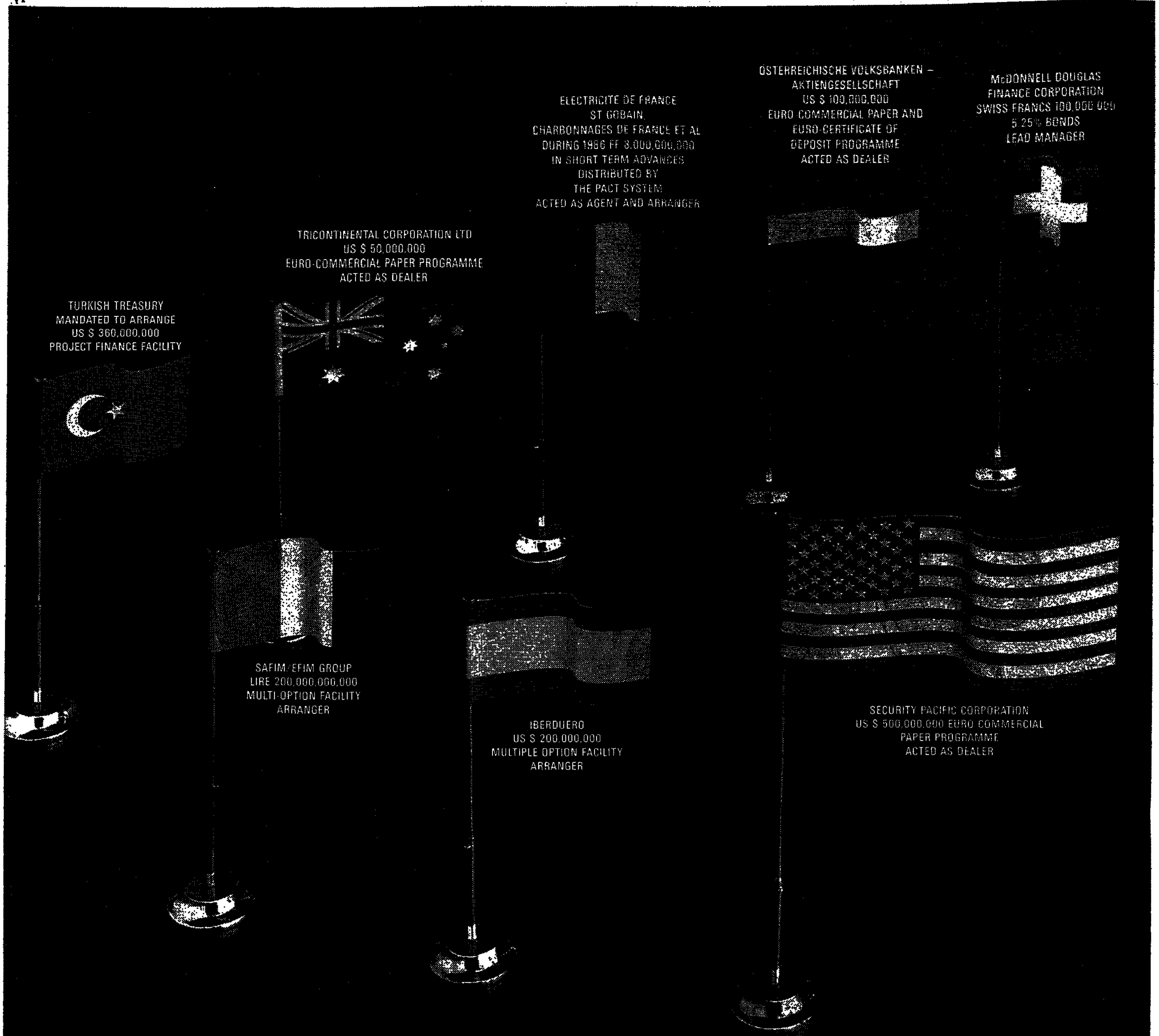
Building societies have been using their new freedom to engage in swaps to tap the fixed-rate Eurosterling market and others, although ending up with floating rate funds. That ability has proved especially useful, since the floating-rate market has suffered from the waves spreading out from the Eurodollar floater market and few issues have been launched. Investor interest in Eurosterling bonds has widened significantly as more buyers have been attracted to sterling.

Domestic interest in the market has been built, as many UK corporates see the Eurosterling market as the alternative to a revival of the old domestic corporate bond market which has been effectively dead for years. If the investors can be persuaded to buy Eurobonds instead of domestic bonds, lacking some of the pledges and indemnities that the latter required, borrowers would prefer to issue in that freer environment.

Issuing activity has been encouraged also by the loosening of Bank of England controls on the size and timing of issues. Whereas the Bank used to exert some limitation on issues, the Eurosterling market is now virtually as unrestricted as other Eurobond markets.

While the pound remains firm, and UK interest rates look set to fall rather than rise, the Eurosterling market should continue in vogue. But much will depend on the timing and result of the UK election.

Maggie Urry



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Yen bonds

Foreign players allowed into medium-term game

LIBERALISATION OF the Japanese bond markets, after they had lagged for several years behind changes in other sectors of the country's financial landscape, has been gathering pace much more quickly than most participants, whether Japanese or foreign, had been expecting.

The Japanese Government has had to confront the fact that rigidities and restrictive practices in the Tokyo debt market have become a matter of more than technical interest to the outside world. It has also seen its own policy goals thwarted by the market's shortcomings.

The winner from the Tokyo markets' rigidity has been the rapidly growing Euroyen sector. The volume of yen-denominated bonds issued outside Japan has been soaring—helping to propel Nomura Securities to top place among lead-management houses in all sectors of the international bond market during the first quarter. According to IDD Information Services, the yen accounted for 17 per cent of Eurobond transactions in the first quarter, up from 12 per cent a year previously, while the US dollar's share dropped to 36 per cent from 59 per cent.

Japanese companies have seen most restrictions on their use of the Euroyen market lifted, while Japanese investors have been buying the paper eagerly at at time of uncertainy for other currency sectors such as the dollar, and have been trading it in growing quantities in Tokyo. In turning its attention to the domestic bond markets in the past six months or so, the Japanese Ministry of Finance has been motivated by several different, and sometimes conflicting, considerations.

It has faced the continuing pressure of foreign governments, especially the US though also the UK and other members of the European Community, to reduce Japan's huge payments surplus by improving foreign borrowers' access to the Tokyo financial markets. Although Japanese banks have long been among the biggest suppliers of funds to the international capital markets, much of this money has been raised outside Japan itself.

Foreign financial institutions, for their part, have been steadily pressing for the right to compete for business in Japan, and the number of foreign-owned banks and securities firms represented in Tokyo has grown dramatically in recent years. As part of this process, foreign bond houses have been allowed to join in the arrangements for taking up medium-term Japanese government bonds and distributing them to end-investors. They are now pressing for a greater share in this business as well as a larger foothold in the long-term bond market.

The MoF has also been under pressure to reform the structure of the Tokyo markets. Japanese companies have been turning increasingly to the offshore Euroyen market, because it has been both cheaper and quicker for borrowers to raise yen-denominated finance in recent months.

Listing formalities for corporate bonds in Tokyo have been simplified in the hope of drawing this business back—and perhaps putting an end to the politically embarrassing paradox that has seen Japanese companies tapping the Euromarkets for increasing volumes of funds while turning their backs on the enormous pool of liquidity available at home.

Not least, in the Japanese domestic context, the MoF's own banking and securities bureaux, under the assault of intensive lobbying from the industries which each of them regulates, have been struggling to establish a new equilibrium of interests between banks and securities houses.

The civil servants have so far gained little headway, however, in the face of the rapid changes in financial markets that have increasingly made an irrelevance out of the old distinctions enshrined in Article 65—Japan's version of the US Glass-Steagall Act.

Privately, many bankers and securities executives accept that the two industries will have to reach agreement between themselves on where new demarcation lines should be drawn—if not on the full repeal of Article 65. Until that happens, development of the Tokyo bond markets seems likely to remain stunted by their incessant struggle over turf.

The MoF's recent measures have been directed mainly at broadening the number of companies allowed to use the domestic corporate bond market and easing the terms. The number permitted to issue unsecured bonds was more than doubled to 170 this month, with the number allowed to issue convertible debt increased to about 330 from 180.

To support this change, the authorities are encouraging companies to seek formal credit ratings of the type long required in the New York markets. The leading US rating agencies, as well as three ventures set up by different consortia of Japanese institutions, are already operating but have yet to gain wide acceptance by investors.

Until they do, the commissioned bank system, whereby collateral has to be arranged at a high fee for each bond issue, seems unlikely to be dislodged. The banks, understandably, are unwilling to surrender this profitable business unless the securities companies let them join in the bond markets.

Other steps being implemented this month have been: the shortening, from 25 days to 10 days, of the time between listing and issuance; the easing of prospectus requirements; the ending of restrictions on maturities and the ending of the so-called *Kisaikai* cartel mechanism, whereby uniform issue terms for all borrowers used to be set once a month.

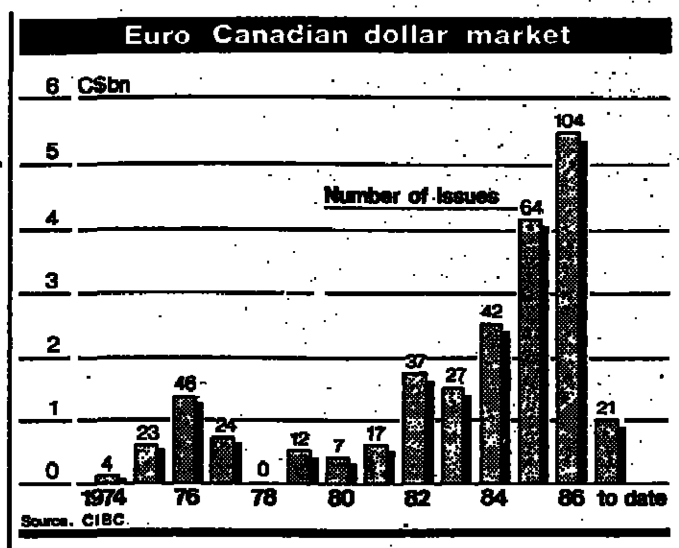
A further step still under consideration is the introduction of a US-style shelf registration system, which would give issuers almost complete flexibility in timing.

Some of these measures are being extended to the moribund foreign bond markets in Tokyo. The larger of these, which has often seen active secondary trading, is the *Samurai* market (yen-denominated issues by non-Japanese borrowers); it has been characterised so far this year by redemptions of outstanding bonds running well ahead of new issues.

The much smaller and more recent *Shogun* market (foreign currency-denominated bonds issued in Japan) has ground to a complete stop, partly because of lack of liquidity in secondary dealings and partly because of a tug-of-war over underwriting and commissioned bank fees between securities houses and banks.

Adrian Dicks

Euro Canadian dollar market



Canadian dollar bonds

Political stability attracts the overseas money

BOTH CANADA'S domestic capital markets and the Euromarkets' Canadian dollar sector are riding high on the back of strong foreign interest.

Non-resident purchases of Canadian domestic bonds soared from C$11.4bn in 1985 to C$23.1bn last year. Japanese holdings have grown from a quarter of the total to 41 per cent. According to Canadian estimates, Japanese institutions are earmarking between one-tenth and a third of their foreign investments for Canada.

On the Euromarket, the number of new Canadian-dollar issues has climbed from 17 in 1981 to 104 last year, with the average size of each issue doubling to almost C$100m.

A recent feature has been the appearance of a growing number of non-Canadian names. Borrowers in the past few months have included Denmark, the European Investment Bank, Deutsche Bank, Australian Industrial Development Corp, and City of Bergen.

Canada's enviable political stability and steady economic outlook have played a part in drawing foreign investors. Canada has benefited from the plunge in the Australian dollar, which helped turn Japanese institutions' eyes towards North America. The growth of the swaps market has contributed to the proliferation of Euro-Canadian issues, many of which are quickly swapped into other currencies.

Investors have the advantage of interest rates well above both US and European levels. Despite a narrowing of the gap in the past year, Canadian bond yields are between 100 and 150 basis points higher than returns in the US.

But the mainspring behind the surge in foreign interest appears to be the unexpected strength of the Canadian dollar. According to Mr Gordon Cheesbrough, head of bond trading at McLeod Young Weir, of Toronto, "there's a perception that there's going to be stability in the currency, and they've almost made it a self-fulfilling prophecy."

Since touching a record low of 69 US cents, in February 1986, the Canadian unit has bounced back above 76 cents, its highest level in more than two years. Most of the increase has come since the start of 1987.

Earlier expectations of a weaker dollar before the end of the year have all but evaporated. June Reilly, assistant manager for financial markets research at Royal Bank of Canada, predicts that the currency will hover between 75 and 75.50 US cents for the rest of the year. "The major risk is upside," he says.

The Bank of Canada appears keen to moderate the climb. It has been a heavy seller of Canadian dollars in recent months, suggesting that it thinks a free-fall in interest rates would be short-lived.

The capital markets are well-equipped to handle the heavy business expected for the foreseeable future. Liquidity in both the domestic and Euro-Canadian sectors has improved with rising volumes and the entry of a growing number of dealers and underwriters.

Four Canadian securities firms—McLeod Young Weir, Dominion Securities, Burns Fry, and Wood Gundy—dominate the domestic bond market. But Canadian banks (notably Canadian Imperial Bank of Commerce), Japanese dealers and US firms are becoming increasingly active.

The market is widely regarded as a model of efficiency and liquidity. The bulk of Government of Canada primary issues are allocated by auction. Helped by the fact that more than tree-quarters of trading is in federal government bonds, the Bank of Canada is able to keep a watchful, but not over-strict eye on the market. Mr Cheesbrough likens its role to that of a "prefect in charge."

Canadian banks and securities firms would like to have a bigger share of Euro-Canadian issues. Orion Royal (a subsidiary of Royal Bank), CIBC and Wood Gundy are well established in London. McLeod Young Weir has tried especially hard in the past year to gain a foothold.

But with the bulk of investors in Euro-Canadian issues being outside Canada, many borrowers, including Canadian public sector entities, have preferred to give their business to the big US or European houses.

The banks hope that greater participation by Canadian institutional investors in the market, coupled with Canada's Big Bang, due to take place on June 30, will improve their competitive position. The new rules will enable the banks, for the first time, to enter the domestic securities business, either by buying existing dealers or setting up new ones.

Shrugging off long-standing relationships between some Canadian borrowers and foreign underwriters, Mr Alfie Noakes, senior executive director at CIBC, says that "We've seen loyalties diminish."

Canadian National Railways appointed McLeod Young Weir last year as lead manager of two issues, breaking a nine-year relationship with Salomon Brothers.

Canadian Banks' efforts to win new business is illustrated by CIBC's recent lead in putting together the first zero-coupon Euro-Canadian bond. The C$150m issue, which involved the restructuring of stripped Government of Canada bonds in a single-purpose holding, company was designed to appeal to European investors.

Bernard Simon

Australian and NZ dollar bonds

Paper suits many Germans

ANYONE SEEKING a complicated mathematical or economic formula to explain the see-sawing new issue market in Australian and New Zealand dollar Eurobonds should look elsewhere.

"Continental European investors like double-digit coupon paper. Sometimes, the truth is really that simple," says one West German investment banker.

Faced with returns of between 2 and 2¼ per cent on their savings accounts, average yields of only 2-3 per cent on equities and 6 per cent at best on domestic bonds, many West German investors find high coupon paper from Australia and New Zealand understandably attractive.

The reasons are often as stark for the Swiss, and only slightly less so for buyers in the Benelux countries. Put together, these continental European markets take the lion's share of Australian and New Zealand dollar Euro-paper.

Such an investor-driven market is reflected in the type of issues launched. Many of the apparent peculiarities of the Aussie and Kiwi-bond sector fall into place when seen against this background.

For a start, the issuers have got to be familiar to end-investors; blue-chip international corporates with high credit ratings have been among the most prominent borrowers, along with continental and West German financial institutions.

In the first three months of this year alone, bonds have been issued for such familiar institutions as GMAC, British Petroleum, the World Bank and BMW. Yet a top-notch name alone does not guarantee a welcome. Institutions which might expect to go down well in the much more professionally-orientated Eurodollar market can have a rougher ride from retail buyers in Australian or New Zealand dollars. The recent deals for Swedish Export Credit, PKBanken, Nordic Investment Bank and Eurofima all suffered from investors' lack of recognition.

Bonds for European—especially West German—banks form the second broad category in the Aussie and Kiwi sector. The borrowers can be further split between banks of national rank, like Deutsche Bank and Westdeutsche Landesbank, and smaller, regional institutions like the Laenderbanken—West Germany's state banks.

In the first three months of 1987 alone, almost the A to Z of West-German financial institutions launched Australian dollar deals in their own names. Commerzbank, Deutsche Bank, two Laenderbanken and Vereins-und Westbank, a Hamburg-based regional institution, are just a selection. All responded to swap opportunities and demand for high coupon paper from their own customers.

By far the bulk of Australian and New Zealand Eurobond issues—85 per cent according to one banker—are swapped. The reasons are simple. In Australia, the domestic bond market is very thin and is dominated by the Commonwealth and, to a muh lesser extent, "semi-state" borrowers. Therefore, as corporates find it very hard to raise money in their own back yard, they are keen to take the fixed rate Australian dollar side of a swap. Meanwhile, the original borrower—which is unlikely to have a natural interest in the Australian currency—swaps out into floating rate US dollars. Deutsche Marks, Swiss francs and sterling trail as favoured currencies.

The Australian and New Zealand Eurobond markets are still young, but some clear trends have already emerged.

Investors have learned to be much more careful. Many continental European buyers have had their fingers burned, purchasing seemingly-attractive high-conpon paper only to see their returns falling away owing to currency factors when the Australian and New Zealand currencies fell heavily in the first half of last year.

The extent of the damage depends on when investors bought and sold, but one leading West German bank reportedly received bags of mail from customers complaining of "disgraceful" behaviour in recommending them to buy such bonds.

The much greater stability of the two currencies against the US dollar in the second half of last year has made the markets appealing again for retail buyers. But only the foolish would place all their hard-saved Deutschemarks or Swiss francs into Aussie or Kiwi paper. Moreover, West German banks claim they explicitly warn the "Tante Emmas" (auntie Emmas), who are the country's proverbial small investors, away from such securities.

While the market remains very much retail driven, there have also been given signs of increasing institutional interest—at least for certain issuers. The A-dollars 100m 14½ per cent bond issued in mid-January by the World Bank, for example, attracted considerable international institutional demand from buyers who had not previously dabbled in Australian dollar paper.

There have also been some changes among the lead managers and market makers most often associated with Australian and New Zealand dollar deals.

Bankers Trust International, which used to rank very highly in the Australian dollar league tables, has all but vanished, say bankers, after its decision to concentrate swaps, leaving book-running to other banks.

Meanwhile, West German banks, like Deutsche, Dresdner and Commerzbank, are likely to become more active as lead managers. Having seen their own bond issues sell like hot cakes, they are now starting to lead deals for other borrowers too.

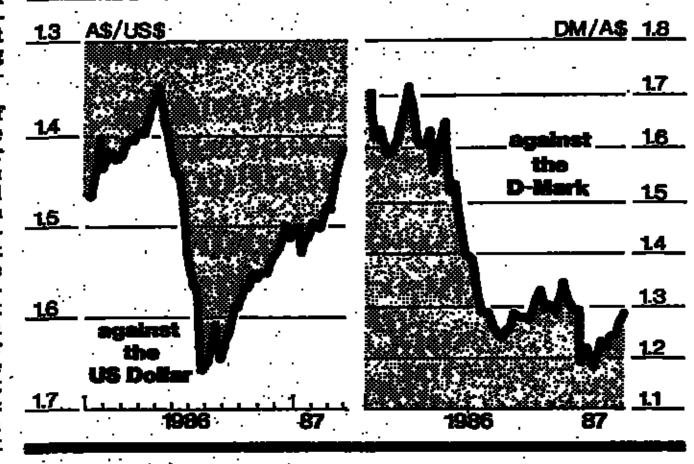
Australia and New Zealand Banking Group (ANZ), which should have a strong local franchise, is also making a determined push to join the established trio of Orion Royal Bank, Hambros and Morgan Stanley as market makers. ANZ's move is probably a preliminary to becoming more active as a lead manager.

The Australian and New Zealand dollar bond markets have developed immensely since the first deals, but some problems remain, say bankers. For a start, investors demand for Australian and New Zealand names remains very limited, despite the fact that such companies are borrowing in their own currencies. The tendency is far less evident in other currencies—if it exists at all.

More important, the distribution process for Aussie and Kiwi dollar bonds remains slow because of the market's retail nature. "Banks cannot lead manage deals and then walk away," says one banker. So, while the sector remains lucrative, if occasionally fragile, the way ahead lies in improving trading and distribution for Aussie and Kiwi issues.

Haig Simonian

Australian Dollar



Euro-Australian dollar bond market

Management Positions since 1976

		Lead managed	Lead managed	Co-managed			Lead managed	Lead managed	Co-managed
1.	Orion Royal Bank	60	48	47	11.	Schroder Wagg	4	1	24
2.	Hambros Bank	22	20	84	12.	Merrill Lynch	5	3	51
3.	Morgan Stanley	17	9	75	13.	S.G. Warburg	4	7	68
4.	Bankers Trust	15	13	41	14.	Credit Suisse First Boston	3	9	67
5.	Deutsche Bank	12	12	50	15.	Swiss Bank Corporation	2	14	71
6.	Salomon Brothers	12	7	50	16.	Citicorp	2	10	9
7.	Morgan Guaranty	8	7	54	17.	Samel Montagu	2	3	38
8.	Banque Paribas	8	1	79	18.	First Boston	2	0	0
9.	CIBC	7	9	52	19.	Goldman Sachs	2	5	23
10.	Commerzbank	7	13	61	20.	Dresdner	2	24	60

(Up to and including February 18, 1987)

Source: Hambros

Ecu bonds

Gains without frontiers

THE EUROPEAN Currency Unit (Ecu), after falling out of favour in the Eurobond market last spring, has re-emerged as one of the most important currency sectors of the market, building its niche on a whole new group of investors.

The dollar's sharp slide against the currencies of its major trading partners, particularly the yen, has made the Japanese investors, for the first time, the most significant buyers of Ecu bonds. It offers them a chance to diversify out of the dollar without concentrating assets too heavily in any single alternative.

Because of its make-up, the Ecu offers investors the opportunity to share in the gains of the West German, French and UK bond markets, while reducing the risks of capital losses on foreign exchanges.

To be fair, Ecu bonds have not earned the dramatic capital gains seen in UK gilts or Eurosterling bonds, for example, as diversification dilutes the opportunities for profits as well as for losses.

And Ecu bonds are still earning a lower return than would a theoretical bond portfolio made up of bonds in proportion to their participation in the currency itself. According to figures from Banque Paribas Capital Markets, the actual Ecu yields are about 15 to 20 basis points below theoretical yields.

A porfolio manager with sufficient cash to invest would do better to buy the bonds of Ecu currencies than to buy Ecu bonds themselves.

Still, owning Ecu bonds simplifies the task of currency diversification that has become of increasing urgency with the dollar's sharp slide.

Unlike the dollar, the Ecu has depreciated only marginally against the yen over the past six months, while the yield differential offered by Ecu bonds has widened to over 300 basis points over Euroyen issues. And it has managed to participate in the sharp gains of the Eurosterling market without all the risks of investing in the UK currency which is vulnerable to swings in oil prices.

The Ecu is an artificial currency, made up of a basket of currencies of member states of the European community, weighted to reflect their relative importance.

Until the middle of last year, Ecu Eurobonds were placed predominantly with the proverbial Belgian dentist, the retail investor who wanted to gain some of the benefits of other European bond markets without having to track specific borrowers and currencies.

But heavy issuance produced a bad case of indigestion. In many ways, Ecu bonds had been a victim of their own success, with demand driving yields so low that investors felt it was no longer worth buying them.

As Ecu bond rates fell below 7 per cent, the traditional spread of at least 200 basis points over comparable Mark-denominated issues had narrowed considerably, eliminating the advantage of Ecu bonds over their closest competitor.

After starting 1986 off at about 8⅞ per cent, Ecu bond yields fell to a historical low, with a coupon of 6⅝ per cent appearing on an Ecu 100m offering of 10-year paper from Export Development Corpation of Canada.

After getting off to a brisk start, the issue foundered. From there on, yields began to rise, and by late autumn they had risen back to about 8⅜ per cent.

The growing appetite of Japanese investors for Ecu issues has been evident, both in the names of the borrower's and in the identities of the lead managers.

From the investor's point of view, Ecu bonds have been able to offer capital gains as well as currency stability, with yields falling about 14 basis points since early March.

From the issuer's point of view, the need is less clear. Analysts point out that, aside from European supranationals, there are precious few institutions with a natural demand for Ecu. Nearly all Ecu issues are swapped, mostly into fixed or floating-rate dollars.

Elizabeth Gordon

Swiss franc bonds

Market sings still higher after notes are added

SWITZERLAND'S CAPITAL market continues to go from strength to strength. Even after a record redemption volume last year of SFr 9.6bn, the net call on the market for equities *and fixed-interest securities* reached well over SFr 43bn. In fact, even this figure is much too *low, since it excludes substantial* notes issued in the first five months of the year.

In the long-term sector, domestic bond issues totalled just over SFr 11bn. While this falls short of a record, it included only a relatively very small share of re-financing operations; in terms of new money (SFr 10.24bn), issues were the highest yet.

As substantial as domestic borrowings remained, they were outpaced more than ever *by foreign Swiss-franc issues.* Owing to a change in National Bank policy, by which bonds and notes were put in a single category as of June, the official new-money figure of SFr 36.7bn *for calendar* 1986 is of only limited significance.

Large as the sum is, it omits total *issues* of medium-*term* notes for January-May of some SFr 7.9bn and those of so-called unpub*lished* notes (what the National Bank now refers to as "real private placements") for the rest of the year. Nor, of course, can the 1986 statistics be compared with those of previous years. *For all that, it is* clear that the bond-plus-notes market has been breaking all the records.

The same is true over a longer time period. Over the past 10 years, for example, the market value of domestic bonds rose by some 67 per cent—but that of *foreign* Swiss-franc bonds by no less than 269 per cent.

The reasons for the popularity *of the* Swiss capital market are basically what they have always been: monetary and political *stability*, a sophisticated banking system and (for the borrower) relatively low coupons. Investors have long been free to put their money into the copper-bottomed Swiss franc, while borrowers feel there is less risk of massive revaluation than a *few* years ago.

An idea of the size of the market is given by the fact that the end-of-year value for Swiss and foreign bonds listed on the Zurich Stock Exchange was of SFr *182.7bn. This excludes the* (unlisted) notes, some SFr 77bn worth of which were issued in the *four-year* period *1982-85* alone.

It remains to be seen whether growth can continue at *its* recent rate. Competing financial centres are developing fast, while Switzerland remains subject to constraints of size—both of its economy and of its stock exchanges—and fiscal burdens which have limited the scope of its capital markets.

The past year also saw a marked tendency for Japanese borrowers, who have long headed the list of foreign issuers on the Swiss securities market, to favour other sources of financing. Although overall Japanese *borrowing abroad* rose sharply in 1986, this was brought about primarily by an *increase of activity on the Euro*-dollar market. The total of Japanese Swiss-franc notes fell *slighty last year from SFr 11.4bn* to SFr 11.2bn and that of bonds from SFr 3.1bn to SFr 2.4bn.

All in all, however, Switzerland remains very popular with borrowers in the industrialised world. This is shown by latest capital-export breakdowns, which indicate that about 90 per cent of all Swiss-franc borrowings (including bank loans) are by industrialised countries and a substantial part of the *remain*der by international organisations.

For all that, there have been some qualms that the average quality *of* borrowers may be declining. These have arisen partly from the avowed policy of some underwriting banks to offer paper with sub-A credit ratings—but also from setbacks such as those suffered by Swiss subscribers to Dome Petroleum and People Express issues.

Mr Hans Vontobel, board chairman of Bank Vontobel and a former chairman of the Zurich Stock Exchange, is now calling for an "American-type" rating system for foreign Swiss-franc bonds. This, he says, should be obligatory and "easy for the layman to read." At present, Dr Vontobel points out, such ratings are of a voluntary nature only and their publication aimed at "professionals."

The Swiss investor in particular, who tends to regard virtually all *bonds* as *gilt-edged*, was very indignant at being called on to help out here. The question *of prospectus* liability on the part of the underwriting banks has been brought up *again* and *again*, even *although* opposition looks like remaining ineffectual.

Still unsolved is the matter of liability in the case of notes. While these are now grouped together with *bonds* and the distinguishing restrictions have been removed, notes are not *listed* on *stock* exchanges and thus not subject to the same prospectus requirements as *bonds. Information to* note-holders has been improved, and in some cases prospectuses are now published.

However, the Swiss Banking Commission feels that publicly-offered notes should be obliged to be backed by a prospectus—and corresponding liability on the part of *issuing* banks—and is in the process of negotiating a convention to this end with the Swiss Bankers' Association.

In the meantime, there is still no lack of borrowers and investors in both categories. In the *domestic sector*, where much of the new issues are as always on behalf of banks, straight bonds are *currently running* at about 4½ per cent and equity-linked bonds at anything from 2 to 3¼ *per cent. Foreign* Swiss-franc bonds now have coupons of 4½-4¾ per cent (though do not seem *to be attracting much* custom at this level) and straight notes are marginally lower.

This is, of course, a substantial real interest rate in the light of a Swiss inflation level of a bare 1 per cent. Switzerland's powerful institutional-investor community is taking advantage of this, quite apart from the many foreign buyers for whom Swiss-franc paper is a valuable portfolio element. There seems no reason why business should not go on flourishing.

John Wicks

D-Mark bonds

New-issue volume reflects stability

WITH A strong currency, stable economy and one of the highest *savings rates in the world, the* Deutsche Mark bond market remains highly attractive to borrowers and *investors* alike.

While *foreign* buyers have flooded into domestic government securities, borrowers continue to find the Euro-DM issues appealing.

That has been reflected clearly in the new-issue volume of DM Eurobonds, which has risen steadily from *DM 19bn in* 1984, to DM 31bn in 1985, and some DM 40bn last year.

The increase has come against the background of gradually falling bond yields over the past 15 months. According to an index of 890 outstanding Euro-DM issues, average yields have fallen from 6.82 per cent, at the end of 1985, to 6.31 per cent at the end of last year. By mid-April, the *figure had slipped to* 6.31 per cent.

Although they have fallen, yields have moved remarkably closely within a 75-100 basis point range over the period, subject to *occasional hiccoughs*.

The stability has meant that "the market has been in reasonably good shape," according to a new-issues executive at a leading West German bank.

Borrowers *may* have been keen to tap the West German currency, but the picture at the moment looks particularly attractive from the investors' point of view, both as far as *domestic* and *foreign* DM bonds are concerned. Though low by international standards, West German interest rates are at historically very high levels in real terms. Moreover, while short-term rates have fallen, the decline has not yet been felt in longer term levels.

So the present West German yield *is* remarkably steep, and offers very good opportunities to buyers of 10-year paper in particular. Investors have so far been slow to grasp the opportunity.

Despite the liberalisation introduced by the Bundesbank in May 1985, when it opened the door *for* foreign — but not Japanese — investment banks to lead-manage Euro-Deutsche Mark issues, the Euro-DM market has not shown that drastic a change as far as lead managers are concerned.

"Market shares have not really changed, as new-issue volume *has risen quite* sharply," says Mr Wolfgang Gräebner, one of the managing partners of BHF-Bank.

CSFB-Effectenbank has made the biggest impact. In particular, some of its debt-warrant *deals* and equity-warrant *issues* for Swiss names have gone very well, while the Elders multi-currency *transaction impressed* many bankers.

CFSB-Effectenbank has come in for some criticism this year, with suggestions that it may be losing steam. Deals this year for Westland-Utrecht Hypothekenbank and for Heinz have gone amiss.

Meanwhile, innovation, encouraged by the Bundesbank when it dropped its opposition to floating rate notes (FRNs) certificates of deposit (CDs) and swaps, has often been stymied by other barriers. *The Bundes*bank's continuing demand for a two-week notification period for new *Euro-DM bond deals*, though reduced from four weeks previously, is still a sticking point when it comes to swap-related issues.

It is the federal government's fiscal policy that has proved the biggest barrier. The Boersenumsatzsteuer — stock exchange turnover tax — which ranges up to 0.25 cent per cent, has been a severe obstacle to new *instruments like CDs* and FRNs, which thrive on trading at thin spreads.

The *Government has* not formally reneged on its pledge to repeal the tax, but the matter was not included in *its legisla*tive programme announced after January's general elections.

Nevertheless, the Euro-DM bond market has seen some interesting new ideas; the annuity bond for BMW led by Deutsche Bank, and the Trinkaus & Burkhardts three currency warrant issues *allowing investors the right to* buy US dollars have kept bankers busy.

A major- and growing-talking-point is the likely *impact* of the Japanese. Only two West German banks are still waiting for securities licences in Tokyo. Once they have got them — a matter of months at most — the Bundesbank should drop its objection to Japanese houses lead *managing* Euro-DM deals.

Given the impact of Nomura in London, many West German bankers are *already wondering* what may lie ahead.

Haig Simonian

Guilder bonds

Loss of business stemmed

AFTER GETTING off to a slow start last year, the Netherlands' liberalisation of its capital markets is picking up speed as banks gain experience and more foreign players join the game.

New financial instruments are growing in popularity, and the Dutch "clover leaf" of top banks has *shown a faint sign of* losing its virtual monopoly on the issuing market. While the *January 1 1986 deregulation is* only gradually producing changes the rules of the game are *different* now, and everyone knows it.

The liberalisation of already *fairly* open capital markets was aimed at keeping Amsterdam competitive with larger and more sophisticated *financial* centres, notably London. New kinds of securities were *allowed*, with shorter maturities and floating interest rates such as commercial paper, certifi*cates of deposit (CDs) and float*ing-rate notes (FRNs). Bullet bonds, which are redeemed in *one lump sum*, were *permitted*, whereas before only serially redeemed bonds were allowed.

Issuing procedures were *sim*plified by making the Dutch central bank's rigid queue sys*tem for tapping the market more* flexible. Now borrowers must give only short notice to the central bank *and can go to the mar*ket pretty much when they want.

Foreign financial institutions were granted the right to lead manage issues, to underwrite as much as one-third of an offering instead of only one-fifth, and to tap the Dutch market themselves.

Reforms at the Amsterdam stock exchange have fuelled the drive to modernise the capital markets. Commissions have been *slashed*, a *professional* investors market with negotiated commissions has been *launched, and the stamp duty* has been capped at Fl 1,200 per trade.

The result is that Amsterdam has begun to turn the tide on the worrisome loss of business in *guilder paper to other money* centres, especially London. In 1985, about 27 per cent of all trading in Dutch stocks and bonds was done outside Amsterdam, but that has now fallen to around 20 per cent, according to the Amsterdam stock exchange. Bond trading outside Amster*dam has stabilised* and *is no* longer climbing, while share dealing overseas has shrunk.

*Of the new financial instru*ments allowed, bullet bonds have proved the most popular, *accounting for two-thirds of the* Fl 25.8bn in bond issues last year.

A *flood of commercial paper* programmes and CDs have poured out in recent months, even though the *total amounts* outstanding remain modest by international comparison. Commercial paper programmes have doubled to Fl 1.8bn now, from half of that at the end of December, while CDs have jumped 40 per cent to Fl 4.8bn now from Fl 3.48bn at the end of December.

The commercial paper market took off after October 1986 when the Dutch central bank agreed *to provide* clearing *for* the paper in an effort to settle a squabble among commercial *banks. Algemene* Bank Nederland (ABN), the Netherlands' largest bank, spearheaded complaints *against is* arch-rival, Amsterdam-Rotterdam Bank (Amro), the number two bank, claiming that Amro had a conflict of interest as national depositary for Euroclear, the top clearing company.

So the Dutch central bank agreed to clear all commercial paper *in a bid to* prevent the market from foundering on the squabble. Since then the coun*try's biggest cities—Amsterdam*, Rotterdam and The Hague—all have launched commercial *paper programmes*.

Greater familiarity apparently is needed to prom*ote livelier markets in more* complicated instruments such as revolving underwriting facilities (*RUFs*), *Eurocommercial* paper and swap-driven deals. Pierson, Heldring & Pierson, the *merchant bank subsidiary of* Amro, said flatly in its 1986 annual report that a lack of financial specialists was slowing the growth of innovative products in Amsterdam.

Dutch banks, a particularly conservative lot, have shown a certain ambivalence for the deregulatory moves ever since they were announced by the Finance Minister in November 1985. The liberalisation mea*sures have been viewed as much* as a bitter medicine that must be swallowed to keep Amster*dam healthy as a new opportun*ity to lift profits.

The Dutch central bank, for *its* part, has encouraged *this* cautious approach, so that banks keep their financial risks under control and maintain orderly markets. Like its UK counterpart, the Dutch central bank requires banks to include off-balance-sheet financing such as RUFs and note issuance *facilities* (NIFs) in solvency ratios.

Foreign banks, in contrast, *have shown greater enthusiasm* for the liberalised markets. In the past year-and-a-half a bevy *of prestigious names have set up* shop in Amsterdam, including Swiss Bank Corp, Credit Suisse-*First Boston* and Barclays de Zoete Wedd. Citicorp, of the US, has expanded its merchant *banking activities, and* James Capel, of London, has bought 82.4 per cent of Van Meer & Co, a *Dutch brokerage firm*. Arab Banking Corp has joined with Kooijman, a Dutch commission house, in setting up a 50-50 merchant bank in Amsterdam.

In February, Credit Suisse-First Boston became the first foreign bank in history to lead manage a guilder bond issue, a privilege usually reserved for the "clover leaf" of Dutch banks. The issue was a Fl 100m subordinated loan on behalf of Elders IXL, of Australia.

The "clover leaf" consists of ABN, its merchant bank subsidiary, Bank Mees & Hope, Amro and its merchant bank subsidiary, Pierson, Heldring & Pierson.

Foreign banks, however, are unlikely to start a head-on battle with their Dutch counterparts. As the new boys on the block foreign bankers say, they want to be good citizens; and Dutch bankers say privately that they plan to stay dominant.

The thinking on both sides is that the pool of potential investors is probably big enough for everyone.

Laura Raun

Paper issues

Interest-bearing guilder-denominated bearer paper with a maturity of at least two years, and an amount of at least Fl50m (amounts of Fl bn)

	1986	1985
Central Dutch Government	14	22.1
Banks	4.25	2.98
Other residents	2.35	3.27
International institutions	2.45	2.4
Other non-residents	2.78	1.88
Total	25.8	32.6
Euroguilder notes (included in figures above)	1.75	2.12

Source: Dutch Central Bank

French franc bonds

Oats and auctions the key to the new market

FOR A market which is still reaching record levels for new issues and experiencing a real explosion in trading volumes, the French franc bond market has had a distracted look to it.

The structural changes which the market is undergoing have relegated to the level of statistics the switchbacks in interest rates, surges in the flow of savings into the financial markets and booms in dealing activity which would, on their own, have made the past year memorable to market participants.

At the root of the transformation is the French Treasury, the main borrower on the French capital markets. It has actively promoted the structural reforms which it saw as necessary to ensure that its expanding demands for funding could be met efficiently and cheaply by the markets.

In 1985, the State accounted for 32 per cent of new issues on the French bond market, and for 39 per cent of turnover in the secondary market. Last year, it boosted its borrowing to FFr 141bn, 40 per cent of new issues, while trading in State bonds in the official secondary market more than tripled to FFr 965bn, 58 per cent of total volume.

Behind the changes lie two main measures taken by the Treasury: the creation of Obligations Assimilables du Tresor (or Oats) standard bonds, which can be issued in tranches; and the institution of a regular calendar of Dutch auctions to replace the placing with a syndicate of banks that was used up to the middle of 1985.

But other changes have come thick and fast, from the creation of a continuous market at the stock exchange for the main government stocks, to the ending of withholding tax on new bond issues, to the launch of a new market in financial futures, the Matif.

The withholding tax was not applied to government bonds — thus creating distortions in the market — and was first removed from bonds issued by supranational bodies. It was finally removed from all new issues from January 1 this year, and replaced for tax-exempt institutional investors by a 10 per cent corporate tax on bond income.

The creation of the Oats has greatly simplified the market in government bonds. Over the years, the state had tended to issue increasing numbers of bonds with different characteristics—often endowed with little fiscal peculiarities to give them an edge in the marketplace, such as the famous "Giscard" bond of 1973, whose indexation on the price of gold has proved immensely costly for the Treasury.

The first Oats were issued in June 1985, and since then the Treasury has created 10 lines of stock. This year, it plans to borrow FFr 120bn to FFr140bn in the markets using only five stocks—a 12-year floating rate bond and fixed-rate bonds of 7, 10, 15 and 25 years.

The auction system has now become a well-established routine for the bond markets.

"The mechanism appears to be totally broken in now after one year of functioning. For example, the gap between the minimum price accepted by the Bank of France and the average price of the auction as varied between 0.17 per cent and 0.27 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the variable rate tranche," commented Mr Andre Roquesalane and Mr Pierre Simonet, of Banque National de Paris, in a recent article in the magazine, Banque.

The Treasury itself estimates that the full play of competition arising from the use of the auction system has saved it around 0.5 per cent on the total of its bond issues.

The firm placing is not totally excluded. The technique was used in January, for example, for the issue of the first tranche of a new floating-rate Oat indexed on the average yield of the weekly treasury bill auction in Paris.

The new bond, which is already taking on the role of money market benchmark now that the official fixing for overnight rates has been suppressed, was placed with a syndicate led by BNP, France's largest bank.

If the Treasury has largely abandoned the technique of syndication, so too, in smaller measure, have private sectors—who have also to a great extent turned away from the bond market towards equity issues.

Among the factors contributing to this development is the raising of the threshold above which bond issues have to be approved by the issue committee. This has led to an expansion of the so-called "little market," where new issues are usually only narrowly syndicated.

The result of these changes has been to create a market dominated by a handful of government bonds, with issues from the competitive sector tied closely to these benchmark rates.

The effect has been enhanced by the creation of the Matif, whose futures contract on a notional government bond with a 10 per cent coupon and a life of seven-to-ten years has been outstandingly successful in its first year of life.

The new contract has given market operators new opportunities for managing their positions, and it is no accident that more than half the turnover on the secondary bond market is in the stocks underlying the Matif long bond contract.

Bond market participants are more fearful for the current year, however, seeing increasing competition on one side from short-term instruments, where the commercial paper, treasury bill and certificate of deposit markets are opening up; and on the other side from the equity market, where the success of the French Government's privatisation programme is accelerating the movement of dometic savings into shares in preference to bonds.

George Graham

FFr bond issues

(by sector, FFr bn)

	1984	1985	1986
Public services	37.4	30.4	49.0
Industrial and commercial	40.0	56.4	46.5
Other financial institutions	68.2	96.1	83.1
State	84.9	97.6	141.3
Local authorities	10.4	21.7	25.4
Foreign	1.2	4.8	1.5
Total	242.1	307.0	346.8

Source: COB.

International equity trading

Minefields await the unprepared

INTERNATIONAL SHARE trading has become such a fashionable talking point in financial institutions across the world that it is often difficult to distinguish fact from wishful thinking.

It is true that cross-border trading of shares has grown remarkably quickly, particularly over the last 18 months, spurred by a combination of factors which has increased both demand and supply. But it is also a fact that the business is a minefield for the unwary or ill-prepared.

The move worldwide to lift controls on capital movements and on financial markets, in an attempt to ensure that capital markets work effectively, has also provided a major impetus.

"Deregulation is more than just a political theme: It is caused by the increase in efficiency of international communications and the information technology revolution. You have barriers breaking down all over the world, where before people were unable to invest outside their own borders," said Mr Nigel Johnson-Hill, head of international equities trading at UK broker Hoare Govett, a subsidiary of Shearson Lehman Brothers of the US.

From the supply side, the fashion for privatisation of state-owned companies, which has spread from Britain, has increased the capitalisation and liquidity of domestic share markets. This has led many other share issuers to the realisation, or at least the hope, that they can issue shares more cheaply overseas.

Morgan Stanley, for example, estimates that Euroequity issues grew from \$1.5bn in 1983 to \$3.5bn in 1985, and then rocketed to \$14bn in 1986. In the first quarter of this year, Euroequity issues totalled some £2.5bn.

From the point of view of cross-border share trading, however, privatisations have been a mixed blessing. The fear of political failure has meant many of the share offerings have been underpriced.

This may have encouraged foreign buyers to lock in big short-term profits and avoid currency risks, rather than to become long-term holders of shares, leading to substantial flowback in some cases of expensively-placed foreign shares to the home market.

On the demand side, there has been a gathering interest in overseas markets.

"There has been a clear move over the last 1½ years for sophisticated investors, particularly in the US, to look overseas to improve portfolio performance. Portfolio managers are under a lot of pressure to perform," said Mr Amir Eilon, at Morgan Stanley's London office.

"So far, they have had it easy, thanks to rising stock markets around the world and a falling dollar, and their success has led other money managers to look overseas." US holdings of foreign stocks are now estimated at about \$50bn.

A change in US attitudes has also been critical. Five years ago, American pension fund managers risked being sued for losing money in investment abroad. Now, it is more likely that fund managers would be considered negligent if they had not diversified outside the US.

According to Mr Johnson-Hill, this development has gone hand-in-hand with the development of the theory of risk, as mathematicians and technicians have got hold of more sophisticated computers to measure risk more accurately.

"Modern portfolio theory shows that an international diversification of a portfolio reduces the risk in that portfolio. That may seem obvious now, but five years ago or more that was a revolutionary thought," he said.

The growth of indexed funds, where fund managers try to match, rather than improve, on market performance, has accentuated diversification and has been encouraged by the development of world stock market indices, such as those published by Morgan Stanley and by the Financial Times.

But many brokers are pinning their hopes for the future of international equities trading on the increasing awareness of overseas stock markets by the Japanese. If, as many expect, they continue to turn their attentions away from the US Treasury bond markets and towards world stock markets, world share trading and share values could be transformed.

For an effective service to institutions, many securities firms have concluded that they need to provide two key elements—research and liquidity.

Mr David Ruck-Keene, a director of Warburg Securities, said: "Our research product is now global. We look at a sector globally rather than geographically now."

Brokerage firms are running ahead of the institutions in the areas of research, and it is in the field of specialised research that small companies, such as London-based ARK Securities, formed around a breakaway group of international share traders from stockbrokers Quilter Goodison, reckon they can find a niche.

Trevor Humphries

Privatisation of state-owned companies has increased the capitalisation and liquidity of domestic share markets

International share dealing transactions

Purchases and sales of foreign shares (\$bn)

1982	1983	1984	1985	*1986
US				
15.7	39.3	30.7	45.9	72.09
Japanese				
6.2	13.2	26.8	54.5	89.6

*First nine months (US), first 11 months (Japanese)

Sources: US Treasury and Ministry of Finance

Inconsistencies in accounting treatments from one country to another, which there are now efforts to address, is one factor which makes research critical. "The very low level of accounting information in many markets has been improving, but it's still a research-driven business," said Mr Adrian Cowell, of ARK.

"The market fundamentals are there for everybody to see. We want to know why stocks move in spite of the fundamentals," said Mr Johnson-Hill.

Historically, research has been the strong point of both US and UK securities firms, a factor which may give them the edge in the early days of international securities trading. But few believe this market edge will last long.

Brokers link research with the issue of "knowing where the stock is" in many of the less liquid markets.

The need for this knowledge, some brokers say, underlines the importance of developing primary market abilities in international equities along with secondary market skills.

"In rising markets, marginal players can succeed in the secondary market. In falling markets, the link between primary and secondary markets is of increasing importance," Mr Michael Cook, of Warburg Securities, said.

The biggest trap for the unwary is liquidity, linked in some markets to the enormous settlement difficulties.

"The sentiments and clearing processes can be immensely complex and it's where all the profits that we can generate on the executions side can disappear," said one broker.

The settlements systems in Spain and Italy are the most recent to come under the international spotlight. The general view is that the Spanish system, under which all transfers of shares must be made through the Spanish market to be legal, is complicated but more consistent than the Italian system, where clearing banks come in for criticism.

In Spain and elsewhere, brokers often suffer from "buying in" rules, in which exchanges go into the market and execute an order which the broker has been unable to perform, usually because of a lack of liquidity. "If we haven't delivered, the stock exchange will automatically buy-in the stock, but one incurs enormous penalties," said a trader.

Brokers would obviously welcome an international settlements systems for equities along the lines that Cedel and Euroclear have set up in the Eurobond market, and which have proved so successful in helping it to grow. But not all are equally optimistic about the chances of achieving this soon. As it is, settlements can vary between 24 hours, in the case of the Tokyo market, and weeks or even months in the case of some European markets.

So will the internationalisation of share markets result in an equalisation of company share price performance? Will the British market—gross dividend yield of about 3.5 per cent—rise to the level of the Japanese market, which yields about 0.5 per cent?

Well, probably not. There will be some meeting of performance if the growth of international share trading continues, but domestic institutions will remain the dominant ones in most markets.

That importance of domestic institutions will rise and fall, however. In a worldwide bear market, institutions could be expected to become extremely defensive, and that would involve withdrawing to within their own borders. For this reason, many see the international share market growing in wave-like fashion as institutions extend overseas and then withdraw, and then start to look abroad again.

That is the way it ought to be. "You want to have the stock sitting with the guys who are giving it the highest value at any point in time. This may, at some point in time, be the domestic market, but this shouldn't necessarily be a problem," said Mr Eilon of Morgan Stanley.

Stephen Fidler

Regulation

Pressure mounts for global consistency

DEREGULATION—THE process of lifting regulatory barriers—is often cited as one of the driving forces behind the great changes that are taking place in international finance. And there certainly have been major reforms in the last year or two, particularly where the opening up of domestic capital markets to newcomers and foreign institutions is concerned.

However, few people in the financial world would argue that the process of deregulation is a straightforward affair, or that it is even moving in a consistent direction. There are plenty of examples of new and tighter regulations being imposed on the financial markets and their participants.

Some bankers would go so far as to say that they are actually suffering from "re-regulation"—for example, in London where the traditionally regulation-free Euromarkets are now being included in the new regulatory regime created for the Big Bang.

Two broad trends are discernible. One is the emergence of new domestic regulations, designed to match the changes in the financial services industry. The other is the growing movement among national regulatory authorities, to harmonise their standards and requirements at a global level as a response to the fast-growing internationalisation of the finance and investment banking business.

The first trend is most obvious in London, the home of the Euromarkets. When Big Bang first started rumbling two or three years ago, it was unclear whether it would affect the international capital markets, which bore little connection with the Stock Exchange where the main changes were taking place.

However, as the debate about regulation developed, it became obvious that the Euromarkets would have to be included, partly because it would be absurd to make such a conspicuous exception. But the most pressing reason was that the liberalisation of the UK markets made it harder to draw a distinction between domestic and international markets, particularly since the same institutions were now equally active in both.

The London Stock Exchange was combined with the international securities markets to create the International Stock Exchange. And the Euromarket institutions formed their own Self-Regulatory Organisation (Isro), with the framework of the new Financial Services Act to regulate their members. Although an SRO is officially a voluntary organisation, in practice any financial institution now offering investment services in London falls within a statutory framework backed by severe sanctions: investigation, prosecution and, ultimately, cancellation of the right to do business.

Subsequently, Isro was merged with the Stock Exchange's regulatory body to create the Securities Association, with Mr Andrew Large, the chief executive of Swiss Bank Corporation's London subsidiary, as its chairman.

The SROs set standards for doing business. They do not, however, create regulations or supervise business. That task remains in the hands of financial regulatory agencies who have been addressing many of the issues raised by recent changes, some of them very urgent.

The greatest challenge has been to adapt the regulatory system to change, not merely so that it can cope with the torrent of new instruments that has poured out of the markets in the past two years, but also to enable it to keep pace with innovation.

In a major report last year, the so-called Cross Report, international banking supervisors identified the growing trend towards securitisation of banking assets as the area in need of most urgent attention. Many of the new instruments being produced were little understood, they said, and priced at levels which did not reflect their true risks. Banks were increasingly exposed, through their dealings in securities, to securities houses that might be subject to less stringent prudential requirements. The report also pointed to the problem of harmonising the regulation of banks and securities houses who, in most countries, are looked after by different agencies.

The Cross Report set the authorities a big agenda. But some progress has already been made.

The approach adopted by the authorities to controlling risk was to require banks to allocate a given amount of capital to each instrument calculated on the basis of how likely it was to land the holder with losses. This "risk weighting" was already in use in some countries for traditional banking assets, such as loans.

Last year, many countries, including the UK, the US, Japan and a number of European nations, set capital requirements for off-balance sheet risks (Revolving Underwriting Facilities, Note Issuance Facilities, etc). They have now moved on to address more complex instruments, such as foreign exchange and interest rate swaps, options and forward rate agreements.

Some urgency was added to this work by the crisis at the beginning of this year in the floating rate note market, where plunging prices resulted in the market effectively being shut down for some days. The crisis was triggered by problems in the market for bank-issued perpetual FRNs, which many institutions bought thinking they were sound debt securities, only to realise that they were more like equity shares. This bore out the Cross Report's claim that the markets were failing to evaluate risk correctly.

The regulatory agencies, such as the Bank of England and the Federal Reserve Board and the other US agencies, hope to be able to achieve some kind of international consistency with their risk weightings.

Their efforts were boosted by the major accord signed in January between the UK and the US, which is designed to bring about the convergence of banking supervision in the two countries. It is hoped that the document will acquire other signatories before long on the continent, but most particularly Japan whose financial institutions are considered to enjoy unfair regulatory advantages.

However, the document admitted that it had major gaps in the area of securities regulation. The best it could do was say that discussions about this subject "will be carried forward urgently" with the appropriate regulatory authorities—in this case the UK's newly-created Securities and Investments Board, and the SEC in the US. Agencies in other countries are also being consulted.

It may still be some years away, but these developments suggest the emerging shape of some future international regulatory structure which will be appropriate to a global market.

David Lascelles

Eurocommercial paper

Borrowers' confidence grows

THE EUROCOMMERCIAL paper market has taken strides towards maturity in the past few months. The range of both borrowers and investors has been broadening, and a core of active and successful dealers is beginning to emerge.

Meanwhile, the volume of Euronotes issued under tender panel arrangements, set up as part of note issuance facilities, is falling, and a number of those facilities have been cancelled.

Instead, borrowers are more confident that they will be able to issue paper simply by arranging Eurocommercial paper programmes without a direct underwriting back-up facility to ensure issuance if market conditions get tough. There are now nearly 400 programmes arranged, and the use of many programmes is increasing.

Chrysler Financial, for example, appears to have become the market's most active issuer with over $700m outstanding. General Motors Acceptance Corporation and PepsiCo are among other important corporate issuers; and there are several fairly sizeable sovereign issuers, with French institutions becoming increasingly active. Borrowers such as Electricite de France and Belgium have recently felt confident enough of the state of the market to arrange programmes.

Both benefiting from and aiding this process, investors seem to feel that the Eurocommercial paper market now offers an assurance that the type of paper they want will be available when they want it. The traumas of the floating rate note market have fuelled investor interest in alternative instruments, helping to produce some particularly active issuing weeks in the early months of 1987.

Corporate investors in Eurocommercial paper are taking an increasing proportion, as well as institutional fund managers, with banks tending to buy paper which is less than top-rated and therefore high-yielding. Central banks are important buyers of sovereign paper.

Eurocommercial paper is a short-term instrument, offered continuously on behalf of the borrower by appointed dealers. It has the boon of simplicity for borrowers. Mrs Rosemary Carawan, of Swiss Bank Corporation International, says that it also "gives you superior control over the product and much more consistent pricing than a tender panel."

No figures for Eurocommercial paper market's size are available, though this may become more possible as a result of collaboration on statistics between the Bank of England and a trade association.

Dealers' estimates of the size of the market consequently suffer from a good deal of marketing hype. But more reliable guesses of the amount of paper outstanding range from $25bn to $35bn, not counting Euronotes issued through tender panels which may account for another $5bn or so.

The process has not been without pain for the dealers which have attempted to develop the market. Many put considerable marketing effort and staff into it, believing that an early push was necessary because, in the end, the spoils would go only to a few.

The shake-out that they foresaw is now well under way. Appointments of new dealerships are increasingly concentrated among the handful of banks which have muscled their way up the league tables. Others have quietly shifted their efforts elsewhere. This leaves the active dealers potentially able to do what was very difficult in the early, promotional stage of the market: make money.

Among leading dealers are Citicorp Investment Bank, Swiss Bank Corporation International and Shearson Lehman Brothers International. Merrill Lynch, S. G. Warburg, Morgan Guaranty and some of the other US investment banks such as Morgan Stanley, Salomon Brothers, and CreditSuisse First Boston are also important players.

Whether or not dealers have been successful depends to some extent on the view they took on the future structure of the market. A fierce debate which raged in the early days of the market, on whether Eurocommercial paper should be traded or firmly placed with end-investors, is now fairly well resolved.

The view of most successful dealers is that they should not sell paper to other professionals; that they should place paper with end-investors; and that they should stand ready to buy and re-place paper should investors wish to sell before maturity.

Though some are still keen to develop a liquid trading market, they have been discouraged from doing so by experiences such as with GMAC. When its programme commenced nine months ago, it quickly ran up outstandings of $1bn. These have now been reduced to $425m, partly because of yield differentials against the US market, but also importantly because GMAC found that paper was washing around among professionals and affecting the pricing of new issues.

Mr Jerome Van Orman, director of US borrowings for GMAC, says: "More paper than we would have liked came back into the secondary market, and trading got sloppy. That bothered us quite a lot."

Though GMAC does not object in principle to the existence of a secondary market—since, as Mr Van Orman says, it is only realistic to expect an end-investor occasionally to want liquidity—it was particularly concerned about the impact on the primary market.

GMAC is interested only in getting the cheapest possible funds, and therefore has a policy of not paying more for its foreign borrowings than it could obtain in the domestic market, where it has $31bn of commercial paper outstanding. Eurocommercial paper is thus a marginal additional source of funds. Mr Van Orman says it is on average about 10 basis points more expensive than domestic funding, but that there are windows where it is cheaper.

Mr Van Orman says GMAC is happier with the performance of some of its Eurocommercial paper dealers than others, has its dealerships under active review and may make some changes when the programme is a year old.

GMAC's arrival in the Eurocommercial paper market, hailed at the time as a key point in its development, has thus proved a salutary lesson. It is also giving a significant boost to the nascent market in Euromedium term notes: paper offered continuously like commercial paper but for longer maturities. GMAC has just commenced a $1bn programme and expects to concentrate on 18 month to two-year maturities, filling a gap for investors between short term instruments and Eurobonds.

Alexander Nicoll

Domestic commercial paper

Deregulation aids fledgling markets

AS THE role of banks as the main source of funds in the world's capital markets has declined, so growth in the alternatives to bank finance, such as commercial paper, has accelerated.

In the United States, which still dominates the world's commercial paper market by a huge margin, outstanding issues have doubled to over $320bn in three years. Fledgling markets are appearing all over the world, their development in some cases linked with the fast growing Eurocommercial paper market.

This development has been accelerated by the worldwide deregulation and reform of financial markets.

Borrowers' perceptions have changed, too. "Increasingly, a lot of top-ranking corporates see their credits as being as good as the banks," said Mr Charles Mitchell, head of Midland Montagu Commercial Paper, in London. "If this is the case, why should they have to pay for the privilege of using the banks as intermediaries?"

Using commercial paper, they can often reduce borrowing costs without giving up the flexibility provided by bank finance. At the same time as diversifying their sources of funds, companies can get their names known to a broader range of investors.

"As a result of the change in the pattern of net international financial flows over the past few years, investors who have a strong preference for holding tradeable paper have come to the fore as suppliers of funds at the same time as borrowers familiar with borrowing in this way have become the major takers of funds," said the Bank of England in a recent assessment of commercial paper markets.

The development of commercial paper markets has, in some countries, been delayed by established bankers' acceptance markets. In the UK, for example, the market in commercial paper has probably just surpassed £1bn, whereas the sterling bill market exceeds £17bn.

Commercial paper, though, is not always cheaper than bank bills for the borrower. "In the sterling market, the relationship between the cost of drawing bills with an acceptance commission of 1/16 or 1/8 of a per cent, and that of commercial paper, is pretty volatile," said Mr Mitchell, of Midland Montagu.

Many issuers also see the nascent domestic markets as an adjunct to the Eurocommercial paper market, offering issuance in a variety of currencies and the possibilities of currency swaps to further reduce borrowing costs.

Of course, practices among the various markets, though often modelled on the US example, differ. In the sterling domestic market, for example, only one borrower—Allied Lyons—has chosen to issue paper through a tender panel of bidding banks, the most common Euromarket practice.

UK companies have generally preferred to appoint dealers for the paper, in the belief that this gives them greater flexibility in maturities and places the paper, which, as in the US, is rarely traded on the secondary market, in firmer hands.

Another area in which other markets have followed US practice is that of ratings. The US rating agencies still dominate the Euromarkets, although earlier this year a European rating agency, Euroratings, was set up. In certain of the domestic markets, such as France and Australia, there are domestic rating agencies.

The following brief assessments of the main domestic commercial paper markets draws heavily on a survey in the Bank of England Quarterly Bulletin of February 1987. The figures in brackets are the approximate size of each market in late 1986.

United States: ($320bn). The oldest commercial paper market, developed in the early 19th century.

Issues are exempt from registration with the Securities and Exchange Commission as long as the proceeds are used to fund working capital. While the market has doubled in size in three years, the greatest rate of increase has been in issues for foreign borrowers, which grew from $5bn in 1979 to $15bn in 1982, and $38bn late last year. Recently, issuance started of Australian dollar denominated paper.

Canada: ($11.4bn). The second oldest and the second largest of the domestic commercial paper markets, launched in the early 1950s. Unlike US paper, that issued by Canadian companies is usually secured. The bankers' acceptance market, however, is larger than that in commercial paper, with some $18.6bn outstanding in late 1986.

France: ($4.0bn). Launched in late 1985. Paper may be issued only by non-bank French companies and subsidiaries of foreign companies. By late 1986, there were well over 100 issuers.

United Kingdom: ($1.0bn). It was not until March 1986 that the Bank of England gave the go-ahead for sterling commercial paper. To be eligible, a company must be listed on the London Stock Exchange and have net assets of at least £50m.

Australia: ($4.3bn). One of the most fully developed of the domestic markets it has been in existence for more than a decade. Known locally as the promissory note market, it received a boost from the abolition of stamp duty in 1983. There are no restrictions on issuers.

Spain: ($5.4bn). Opened in 1982, the market has grown rapidly despite the extension of reserve requirements in 1984 to bank-guaranteed paper. Although issuance fell in late 1985 with the imposition of withholding tax, the market recovered after a subsequent sharp decline in the Treasury bill rate.

Sweden: ($7.4bn). Established in the early 1980s, it is now the third largest domestic market. Average maturities are around 30 days, and the market is used by about over 100 Swedish entities and local subsidiaries.

Hong Kong: ($1.2bn). After a few issues from 1982 to 1984, the market took impetus from a ruling that the issuance of commercial paper was not the equivalent of taking deposits. In 1985, 19 new programmes were announced and in the first 10 months of 1986, a further six.

Stephen Fidler

Commercial paper

Worldwide issues Outstandings: late 1986	($bn)
US	322.7
(of which foreign issues	37.8)
Canada	11.4
Sweden	7.4
Spain	5.4
Australia	4.3
France	4.0
Hong Kong	1.2
UK	1.0
Norway*	0.9
Singapore*	0.3
Netherlands	0.3
Total (domestic markets)	358.9
Euronotes and commercial paper	35.0
TOTAL	393.9

*Estimate

Source: Bank of England

Futures and options

New players speed trade

RISK MANAGEMENT is the growth industry of the eighties. The development of the futures and options markets and the growth of the international capital markets have walked hand in hand.

Growth began after the debt crisis, as banks' balance sheets became weighed down with problem loans.

The banks accordingly became interested in off-balance sheet instruments—a trend reinforced as companies by-passed the banks and borrowed directly from investment institutions, with the banks acting merely as distributors of paper.

As the volatility of exchange and interest rates has increased, and the prices of securities thus been prone to sharper fluctuation, investment institutions have moved to protect their portfolios; and futures exchanges, from Chicago to London and from Paris to Tokyo, have profited from the boom.

For years, the biggest volume contracts on the US future exchanges have been those based on the Treasury bond market. Last year, the T-bond future on the Chicago Board of Trade saw a staggering volume of 52.6m contracts, nearly three times as much as its nearest rival.

Successful futures and options contracts normally depend on increasing volume in the underlying market. In the eighties, the value of US treasuries on issue has increased as the budget deficit has mushroomed. In addition, the speed of trading has picked up as new players have entered the market. Banks and securities houses now regard market-making in Treasuries as a vital part of their business, and the need for capacity in the US market has created a knock-on effect into other government securities markets.

The Big Bang turned the gilts market from an effective duopoly into a crowded 27-strong battlefield, and foreign houses have moved in to exploit their US treasury muscle. As a result, the health of the London International Financial Futures Exchange (Liffe) has vastly improved, with the long gilt future leapfrogging its rivals.

The gilt futures market not only gives the market makers a natural place to hedge their positions, but, given the relatively small size of the London bond market, allows them a trading vehicle to justify the expense of setting up the gilt dealing arms.

Of course, the Eurobond market is also centred in London. As yet, no Euromarket futures vehicle has been developed, although Liffe and the CBOT are currently working on a contract.

The problem lies in the diversity of the market. Government bond markets have a single credit risk—the Euromarket contains everything from the World Bank to junk bonds. Issues are also made in a bewildering variety of currencies, maturities and structures and all that makes constructing the "average bond" on which the contract could be based a complex procedure.

At the moment, Eurobond market makers use the T-bond and the T-bond futures markets as hedging vehicles but, such are the fluctuations in spreads between the Treasuries and the Euromarket, that hedging by that route is extremely difficult.

Liffe is apparently working on the construction of a weighted index of the most actively traded dollar Eurobonds, which could form the basis of a futures contract.

Years of capital outflow have left the Japanese as the world's dominant investors, with the result that they are significant holders of overseas bonds and equities. In Tokyo, the financial futures market has shown explosive growth since it opened in October 1985, based again on the success of a domestic government bond futures contract.

But, as yet, regulatory problems prevent the Tokyo market from launching its own US Treasury Bond contract, and Japanese securities houses are forbidden to hedge their T-bond positions in the US. Overseas futures exchanges have accordingly been forced to concentrate on the domestic Japanese market.

Liffe is currently planning to introduce futures on Japanese government bonds by the end of May, with the CBOT likely to follow suit. But if the problems of Japanese securities houses in hedging overseas can be solved, the potential volume will be a glittering prize for futures exchanges to grasp.

In the equity markets, a lot of attention has been paid to the effect of triple witching days, which occur each quarter, when stock index futures and options on individual equities expire together. The arbitrage possibilities between the different contracts has caused dramatic price changes on the witching days, and has prompted much criticism from those who believe that computer-triggered trading decisions, allied to a speculative market, have caused unnecessary volatility.

The Standard and Poor 500 Index, traded on the Chicago Mercantile Exchange, is the second most traded futures contract in the world; but in Britain, the Liffe contract on the FTSE-100 index has been far less successful.

The contract represents less than 5 per cent of the volume of total option business, which continues to be dominated by trading in individual options on domestic equities. UK fund managers have found it difficult to persuade their trustees that they should be allowed to use the index market, with its "speculative" connotations. While they stay away from the contract, volume remains sluggish, which in turn discourages further entrants.

Traded options on individual equities have become more acceptable, with equity fund managers writing options on their individual holdings to earn money on previously "passive" holdings.

Overseas, there are few other stock-market contracts with any volume, both the Hong Kong Hang Seng and the Australian Sydney All-Ordinaries lagging well behind the S & P. As yet, there is no home-based Japanese contract, and investors must rely on the Nikkei 225 index traded in Singapore until the Tokyo Stock Exchange brings in a broader contract next year.

Philip Coggan

Export finance

New rules promise a lift

LIKE THEIR colleagues in the international syndicated loan market, export credit bankers are looking to the capital markets to help them out of the doldrums which has beset their business through lack of borrower demand.

The slump in infrastructure spending in the developing world has meant that there is simply less and less business around to finance these days.

According to latest figures from the British Overseas Trade Board, foreign orders won by UK construction and civil engineering concerns slumped to £1.8bn in the year to March 1986 from £2.4bn a year earlier. The drop is largely thought to have reflected the trend in the world market which has not improved since.

Partly as a result of this, some institutions have wound down their activities in medium-term export finance. Those that are left face a highly competitive situation in which the talk is mainly of innovation and financial engineering.

Project finance was once a highly attractive business to banks because of its combination of lucrative margins and industrial country export credit agency guarantees, but it has not proved to be a satisfactory alternative for banks seeking to diversify out of the dwindling syndicated loan market.

Yet, for all the talk, the use of innovative new techniques has been slow to take hold in practice, not least because the export credit world deals in longer time horizons and more complex situations than the conventional international capital market.

This is not to say that the scope for bringing the capital markets into play is not there. Refinancing of the export credit debt owed by developing countries that has been rescheduled could keep the market busy for a long time, but has so far been limited to a small number of relatively specialised exercises.

Yet largely because of the complicated drawdown period attached to such finance, use of the swap market so far has been rather limited.

The use of the capital market in export credit finance should receive a big push soon when Britain's Export Credits Guarantee Department agrees new rules with UK banks covering the way in which they are remunerated for providing subsidised export credits.

At present, the funds are made available by the banks in the form of a floating rate loan carrying a margin over London Interbank Offered Rate (Libor). But borrowers pay only the subsidised fixed rate of interest agreed under the OECD consensus. The difference is made up to the banks by the ECGD acting on behalf of the Treasury.

Last year the Government proposed new rules for this procedure which were designed to cut the cost of the subsidy by paring down the margin over Libor that banks received on their funding. However the proposals caused a storm of protest from the banking community which argued that export credits were already an uncertain business which would become altogether unattractive if the rate of return was cut.

The compromise now under discussion would involve a cut in the margins. But, in addition, banks would be able to refinance the asset in the capital markets, allowing them to earn fee income, and possibly a trading return as well. Once the debt had been refinanced there would be no need for a margin to be paid at all, though banks would be compensated for this by a continuing fee from the ECGD for managing the paperwork involved in the transaction.

Internal wrangling among government departments, over the implications of this process for the Public Sector Borrowing Requirement, has meant that the proposals have yet to be implemented, or even put to banks in their completed form. But the supposition is that they will go ahead some time this year.

Even then, banks are unlikely to be particularly happy. Though most accept that the margins on export credit business will have to come down, many bankers say that the existing system offers a reward, not only for the work they do in preparing loan schemes that are successful but also for their work on schemes which do not see the light of day because the contract is lost.

Refinancing of export credit assets means they would risk losing a continuous return on the business and that might still drive some banks to look more favourably on business with other, more flexible export credit agencies such at Italy's SACE.

A recent case in point was a deal led by Morgan Grenfell to refinance some $44.3m in rescheduled Mexican debt guaranteed by SACE, Italy's export credit agency. The deal involved the creation of a special funding vehicle, Italfunding, which will hold the debt and refinance it through the issue of Euronotes. Though Morgan Grenfell had arranged similar deals before for Brazil and Ecuador this was the first time that a Euronote facility had been used as the borrowing vehicle.

The notes should be attractive to investors because they offer what is effectively Italian risk at rates rather higher than Italy would normally pay.

More such operations are expected as both investors and the export credit agencies themselves become more familiar with the concept. But bankers reckon there are still practical limitations to using the capital market in this way to fund new business.

Of its very nature, export credit funding is a very uncertain business. A bank involved in the market may find that its offer of finance comes to nothing because the industrial concern fails to win the contract for which it is bidding. Some banks reckon that their actual hit rate on export projects is as low as one in ten or even worse.

Not only is there a long period of preparation during which it is hard for bankers to give a firm indication of the rates that the capital market will accept when the project is launched, but the drawdown period of the funds may also follow a lengthy and complex schedule which is hard to mesh in with normal capital market practice of instantaneous drawdown.

A similar problem applies in the swap market which theoretically holds great application for export credits. This is because of the interest rate subsidies available to borrowers, under the so-called Consensus on export credits, agreed through the Organisation for Economic Co-operation and Development.

The subsidy means that developing countries which import goods from, say Britain, can finance their purchase in fixed-rate sterling at below-market rates. Using the swap market that debt can then be converted into another currency at even lower rates. One British clearing banker reckons it is even theoretically possible to provide Yen finance at zero rates of interest using the swap market and subsidised export credits.

Peter Montagnon

Syndicated Eurocredit

The descent may be over

NOTHING EXEMPLIFIES the so-called securitisation of international financial markets so starkly as the decline in the importance of the syndicated credit market during the 1980s.

Over the last 12 months, there has been little evidence that it will be will be reversed. According to figures published by Morgan Guaranty, the volume of new Eurocurrency bank credits fell to $82.8bn last year from $110.3bn in 1985. Indeed, the signs are that the shrinking business is becoming increasingly concentrated in the hands of a few—mostly American—institutions.

Squeezed by the competition among banks for new business and by competing instruments such as commercial paper, margins and fees in the Eurocredit market have also declined to record levels.

Nevertheless, there have been a number of recent developments that lead some bankers to argue, albeit tentatively, that the market may have reached its low point.

Certainly, the attraction to international banks of generating off-balance sheet business has started to wane.

Central banks have turned their attention from banks' direct exposure a concern triggered by the emergence of the Third World debt crisis, to off-balance sheet items— contingent liabilities, exposure in the swap and foreign exchange market and the like.

New rules on bank capital adequacy introduced jointly by the US Federal Reserve and the Bank of England seem unlikely to stop with these two countries.

In addition, and perhaps more importantly, the first cracks have started to emerge in the securities markets which have replaced bank loans as the central form of finance for many borrowers. Uncertainty has spread out from the market in perpetual floating rate notes into other areas of the floating rate note market.

Trading has at time dried up in some issues and prices have suffered unprecedented declines in a market where liquidity and certainty of capital are critical.

When floating rate notes started to emerge as an alternative to loan finance, the justification for the finer margins they allowed borrowers to obtain was the marketability of the instrument. Because a buyer could sell his asset at any time, the argument went, he would be willing to accept a lower margin on it.

Whether or not liquidity returns to the FRN market, this marketability has now been called into question and cannot again be taken for granted. Some FRNs may in fact be only as liquid as syndicated loans, participations in which are also tradeable, albeit in a thin market.

It seems as if the decline of the FRN market may close it for some time to come for all but the highest quality borrower. Borrowers may still be able to tap cheap floating rate funds through swaps on fixed-rate Eurobonds, but there are limits to the possible size of these offerings.

But the effect on the Eurocredit market is more than just a function of reduction access to borrowers in other markets. The fall in FRN prices may provide a mechanism through which market resistance to finely-priced deals might result more rapidly in an increase in fees and margins.

At the same time, the deterioration of the FRN market has closed one source of relatively cheap bank funding. As bank funding becomes more expensive, so does the incentive for banks to price deals aggressively.

The jury is still out on whether these factors will result in higher fees and margins on credits: the imperative to action is strong in the international banking business and one can only sit on one's hands for so long before returning to the fray to pitch for business.

The market did receive a shot in the arm, however, when it was called upon by British Petroleum to arrange $5bn in financing towards the oil company's $7.4bn tender offer for the remaining 45 per cent of Standard Oil that it did not own.

In five business days, banks had committed more than $15bn, the largest commitment of funds ever made in the Euromarkets. At a rate of $3bn a day and an average bank commitment of over $250m, the response was staggering.

In a sense, the market had proved it could deliver what BP needed—huge sums at remarkable speed—in a way that other markets could not.

The BP credit was the sort of deal in which banks are showing an increasing interest.

After the refinancings and other credits for sovereign borrowers during 1986, the banks' appetite for more of the same is limited, as shown by the resistance to such deals as the $1bn refinancing earlier this year for state-owned Electricite de France.

Banks increasingly say they are hitting country limits for many of the regular visitors to the Euromarkets.

Corporate names on the other hand can bring all the advantages of "relationship banking," including commercial paper dealerships and other fee-earning business. Many in the syndicated loan department of international banks are thus saying corporate lending will be the major focus of their activity in the coming year.

Stephen Fidler

Developing-country debt

Glimmers visible through the gloom

SINCE MEXICO sank into financial crisis in 1982, the handling of the ensuing debt crisis in developing countries has been one of prolonged crisis management by government and commercial bank creditors.

The approach, involving the repeated negotiation of debt rescheduling and new loan packages backed by International Monetary Fund agreements, has succeeded in buying time, which avoided the collapse of the world's banking system.

Yet it is tempting to believe that Brazil's unilateral suspension of interest payments on $68bn of debt to banks, in February this year, following the collapse of its Cruzado Plan, has invalidated the approach.

The country's crusading finance minister, Mr Dilson Funaro, has called for a new deal with creditors, under which Brazil would continue to avoid having economic policies agreed with the IMF and would receive financial flows enabling it to avoid recession. Mr Francisco Gros, the recently installed central bank governor, says the debt crisis should not be treated as a problem recurring every 90 days because of the stringencies of US banks' accounting rules.

The view that the debt crisis is an insoluble and worsening problem is also encouraged by the self-isolation of Peru; the slide last year of Mexico, and this year of Ecuador, into economic difficulties after previous progress; and the chronic problems of smaller debtors such as Bolivia.

World Bank figures on financial flows also illustrate the depth of the problem. Net transfers into the 17 developing countries with high debt and debt service ratios turned negative in 1983. In the four years since then, a total of $81.6bn has flowed out of these countries, mainly as a result of interest payments.

There is little sign of voluntary flows of new commercial credit returning to troubled debtor countries. Banks' approach to the debt problem has been based on the argument that economic discipline, combined with continuing renegotiations and new "forced" loan packages, would prepare the ground for borrowers' eventual return to the capital markets for voluntary lending.

Yet despite the recent gloom, there are also positive signs for creditors. There has been no inclination among borrower countries to form a debtors' cartel. Instead, almost all have emphasised that they want to meet their commitments to creditors. Some have made advances in their ability to do so.

Chile, for example, has considerably reduced its debt through swaps of debt into equity, and might well have received new voluntary lending were is not for the political sensitivity of such a move.

Venezuela is poised to receive new voluntary lending. Both it and the Philippines have negotiated deals with their banks, under which they will repay small amounts of principal and have interest set at ⅞ percentage points above London interbank offered rates (Libor).

The effect of these agreements has been to emphasise the banks' point that terms on the new $7.7bn loan and $43bn rescheduling for Mexico, still in the final stages of arrangement, were an isolated case and not a precedent for other countries. That agreement, which reschedules debt over 20 years and provides for no principal repayment, set an interest rate of $\frac{13}{16}$ over Libor. Banks were strong-armed into the deal by the US Government.

As a major debtor with a successful economic programme in place, Argentina's protracted negotiations on a new rescheduling and loan package may provide a better litmus test than any other current negotiations of the way the crisis is going.

This is particularly true since detailed negotiations with Brazil are unlikely to begin for some time. Brazil is expected to seek some capitalisaton of interest, and this is likely to be fiercely resisted by the banks. However, many US bank have already prepared themselves for a protracted interest-payments halt by putting their Brazilian debt in the non-performing category, even though they are not technically required to do this until interest is 90 days overdue.

Banks are in no mood to treat Brazil kindly because of its unilateral action on interest payments and its subsequent freeze on short-term interbank and trade credit lines. In addition, Brazil's government, looking increasingly beleaguered at home, has produced no economic measures. It also appeared to be trying to by-pass the banks by making the rounds of government creditors in a whistle-stop tour by Mr Funaro.

Though the governments gave him short shrift, there is a growing belief among them, and even among bankers, that banks must adopt a more flexible approach to the debt crisis which will enable economic growth in debtor countries to be financed more expeditiously.

The Baker Plan, the US-sponsored programme for fostering growth in highly-indebted countries, sought substantial new financing from commercial banks which has not so far been forthcoming. Banks have already produced a "menu" of financing options, providing greater flexibility.

Alexander Nicoll